

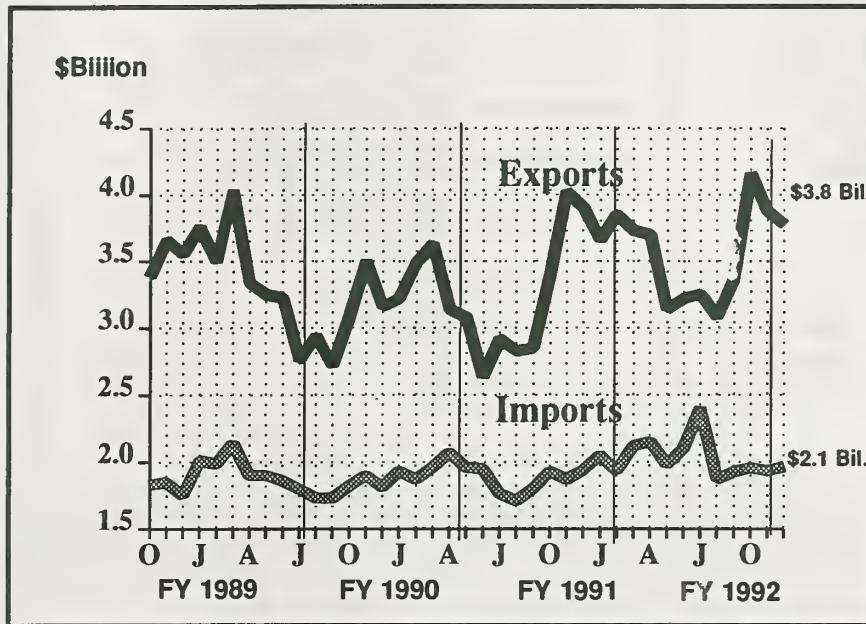
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AGRICULTURAL TRADE HIGHLIGHTS

December Exports Flat At \$3.8 Billion

Higher Consumer Food Shipments Offset Lower Bulk Sales



December trade statistics released on February 18 by the Commerce Department placed the value of U.S. agricultural exports at \$3.8 billion, down 2 percent from November's level and down 3 percent from the same month last year. Lower shipments of soybeans and cotton accounted for most of the decline from the level a year earlier.

December's shipments bring U.S. exports during the first quarter of fiscal 1993 to \$11.8 billion, up 4 percent from the same period last year and the best first quarter performance on record. Exports of bulk commodities and consumer-oriented foods continued to outpace levels during the previous first quarter. Exports of intermediate products, the third major product category, were down slightly.

At \$4.1 billion in December, U.S. exports of bulk commodities were down 7 percent from the same month last year. Large decreases in sales of soybeans and cotton more than offset sales gains for coarse grains and

wheat. First quarter bulk exports reached \$5.5 billion, up \$130 million from first quarter 1992.

U.S. exports of intermediate high-value products fell to \$794 million in December, off 6 percent from shipments during the previous December. While exports of feeds and fodders, animal fats and wheat flour rose, these gains were more than offset by lower shipments of soybean meal, live animals and hides and skins. December's performance brought the first quarter total to \$2.4 billion, just \$6 million below the same three-month period last year.

U.S. exports of consumer-oriented high-value products continued at a record setting pace reaching \$1.2 billion in December, a 7-percent increase over the same month last year. Lower exports of dairy products, fresh fruit and tree nuts were more than offset by higher shipments of red meats, fresh vegetables, snack foods, processed fruits and vegetables, breakfast foods, and wine and

beer. December's performance brought the first quarter total to \$3.8 billion, up \$375 million from first quarter 1992. Fiscal 1993 exports of consumer-oriented foods, the best performing sector, now seem well on their way to registering their seventh record in as many years.

Trade performance for the *top 10 U.S. agricultural export markets* in December was mixed as compared with the same month last year. Shipments to the former Soviet Union, the EC, Taiwan and Korea registered declines, while gains occurred to Japan, Canada, Mexico, Egypt and the Philippines. U.S. exports to drought-plagued sub-Saharan Africa continued above last year's level.

U.S. agricultural imports for December rose 6 percent from the same month last year to \$2.1 billion. This brings December's *agricultural trade surplus* to \$1.7 billion--\$244 million less than last December.

On February 25, the World Agricultural Outlook Board revised its fiscal 1993 projections for U.S. agricultural trade. Exports are now forecast to reach \$42.5 billion, up \$1 billion from last month's projection. Much of this increase is due to improved prospects for wheat, soybeans and corn.

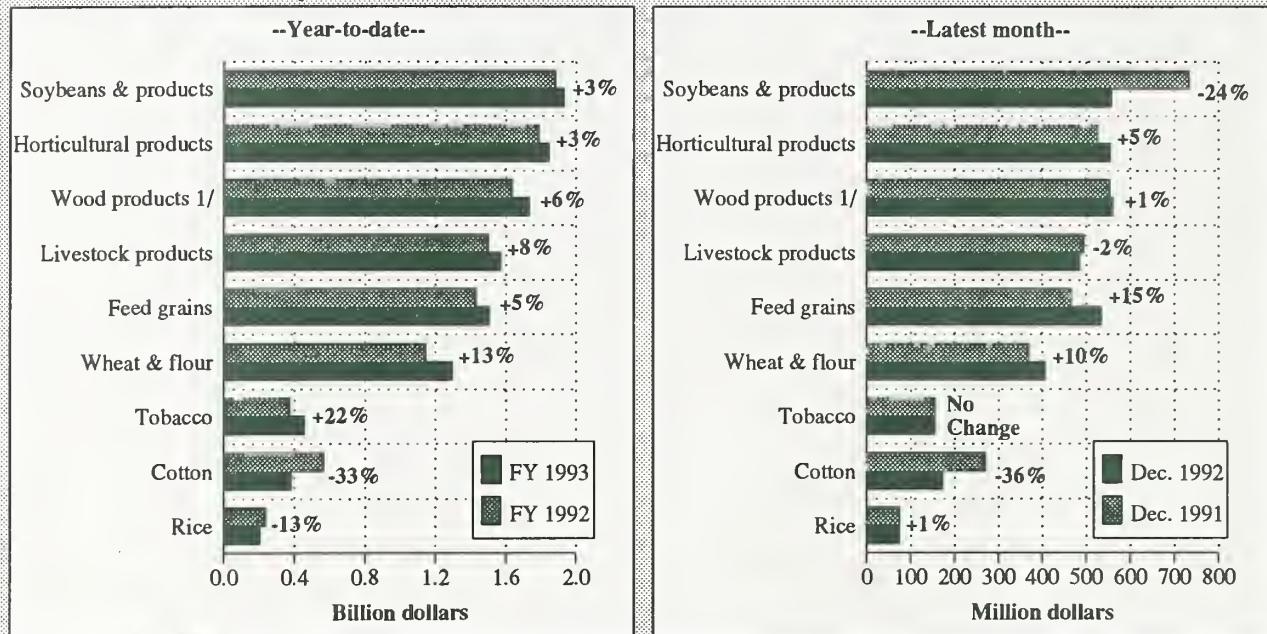
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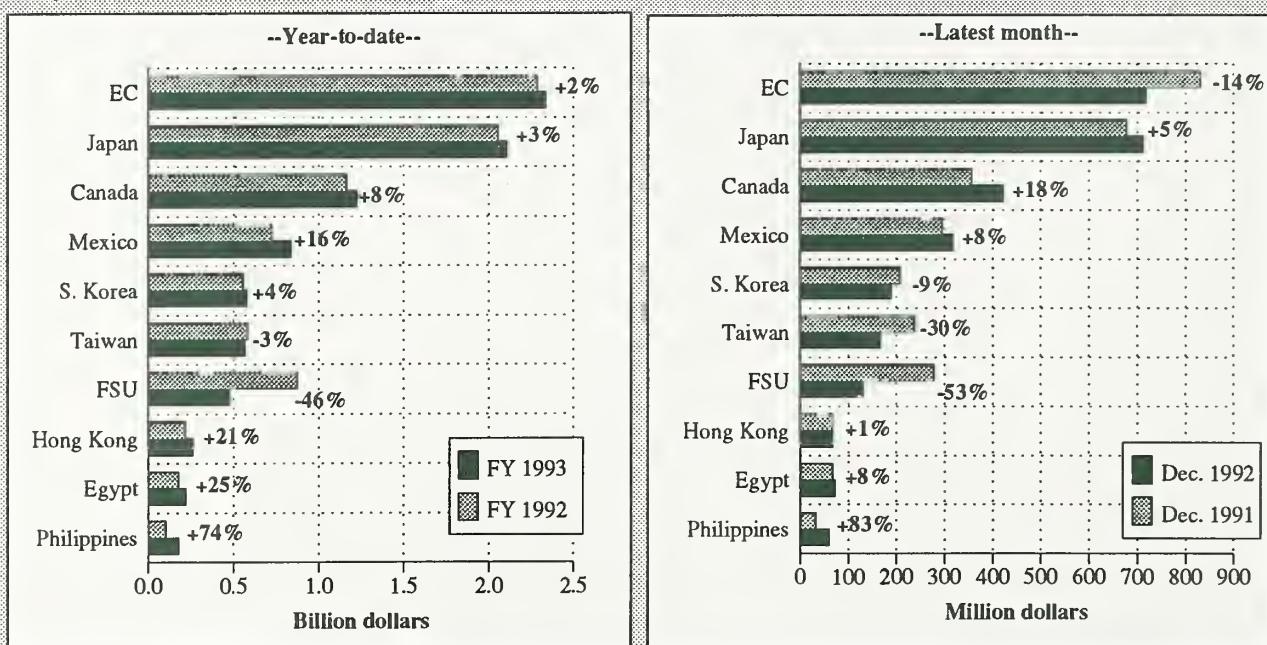
U.S. Agricultural Export Summaries

October-December and Latest Month Comparisons

Product Summary



Top Ten Markets Summary



Note: Percentages are computed as the change from a year ago.

1/ Not included in agricultural totals.

Commodity Highlights

December exports of agricultural products totalled \$3.8 billion, down 2 percent from the previous month and down 3 percent from the same month last year. Brisk sales of U.S. corn, wheat, meats, and fresh vegetables were offset by sharply lower exports of cotton, and oilseeds and products.

Export sales of *wheat and wheat flour* in December rose 10 percent in value on a modest 1 percent loss in volume, resuming the strong upward trend of the recent past after weakening in November. The higher export prices which characterized much of fiscal 1992 continued into the third month of fiscal 1993. This is largely the result of tighter domestic supplies, as well as anticipated lower export supplies of milling quality wheat from competitors such as Canada and Australia. Major declines occurred in sales to the former Soviet Union, and Korea, down \$61 million, and \$9 million, respectively. Sales gains however, were reported elsewhere: India gained \$18 million; Japan was up \$16 million; Nigeria increased \$15 million; and Sri Lanka and the Philippines each rose \$11 million.

Sales of *coarse grains*, grew 30 percent in volume and 15 percent in value, in December. Sales were \$41 million higher to the former Soviet Union, up \$31 million to Canada, and \$27 million higher to drought plagued South Africa, as well as \$21 million gain to Japan. Major sales declines occurred in exports to Taiwan, Saudi Arabia, and the EC, which fell \$36 million, \$27 million, and \$11 million, respectively.

Exports of *oilseeds and products* during December were down 22 percent to \$664 million on similar loss in volume. Most of the \$186 million drop in sales is a result of a decline in shipments to the former Soviet Union, which alone accounted for \$125 million of the loss. Sales to the EC dropped, \$30 million to \$232 million, largely as a result of the release of rapeseed stocks to the market by EC producers, which were being held in anticipation of higher prices. The

only other notable sales loss was to Taiwan, which fell \$30 million. The only significant gains occurred in sales to Japan, Brazil, and Tunisia, which were \$12 million, \$11 million, and \$7 million higher respectively than last December.

Rice exports in December were essentially flat at \$75 million, on a modest 5 percent rise in volume. Sales to Saudi Arabia rose \$10 million, while sales to Cote d'Ivoire rose by \$9 million.

Exports of *horticultural products* reached \$544 million in December, a gain of \$18 million or 3 percent from last December. Exports were up 3 percent to \$1.85 billion for the quarter as compared to the previous first quarter. The EC's 1992 bumper crop for fruit seriously eroded U.S. exports of deciduous fruits, which were \$40 million lower than the previous quarter. Sales of tree nuts and fresh citrus were also down by \$16 million and \$11 million, respectively. These losses, however, were largely offset by sales gains for fresh and prepared vegetables, which were up \$37 million and \$23 million, respectively. Fresh tomatoes were up \$22 million, and canned corn was up \$8 million. On a market basis, first quarter horticultural sales to the EC and Japan slipped 10 percent and 8 percent to \$374 million and \$264 million, respectively. These declines were offset by gains to Mexico, which rose 27 percent, to \$91 million, and Taiwan, which increased 37 percent to \$83 million.

Unmanufactured tobacco exports were largely unchanged at \$155 million in December, on a 3 percent decline in volume. Notable gains occurred in sales to Turkey and the EC, which

were up \$17 million, and \$7 million, respectively.

The recent weakening in *cotton* exports continued into December, easing \$98 million to \$173 million. This represents a 36 percent decline in value with volume 26 percent lower than last December. Major Asian markets showed the largest sales declines, led by China, Japan, Philippines, and Thailand, which were \$35 million, \$29 million, \$16 million, and \$9 million lower, respectively. Sales to the EC were also \$8 million less than last December. The drop in export unit value from last year is due to increased supplies from China, the U.S. and Kazakhstan. Kazakhstan cotton which had supplied the former Soviet Union, is now being bartered on the international market, and is a major reason for U.S. sales losses to the EC.

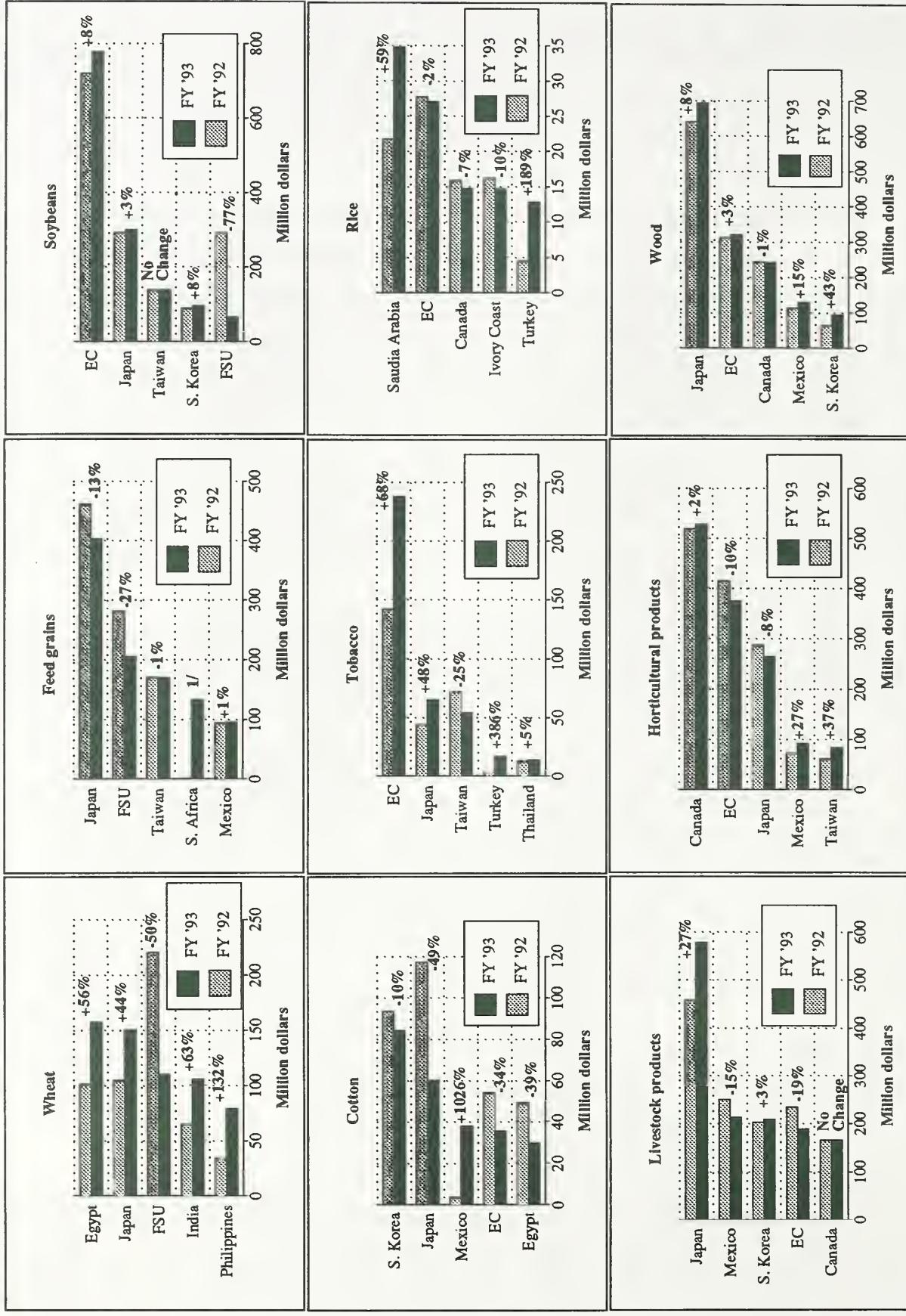
December exports of *livestock and products* fell to \$485 million, down \$10 million or 2 percent from last December. Despite December's decline, exports were up 5 percent to \$1.57 billion for the quarter as compared to the previous first quarter. Sales gains of \$66 million for beef, \$29 million for pork and \$28 million for inedible tallow, more than offset a sales loss of \$49 million for horses, not used for breeding.

Exports of *wood products* grew a marginal 1 percent in December to \$560 million. Markets showing modest gains were led by Mexico and Korea, up \$11 million, and \$10 million, respectively. Last December's declines were more widespread, and occurred in sales to the EC, Taiwan, and Japan, which were \$9 million, \$6 million, and \$3 million lower, respectively.

For more information, contact Thomas St. Clair (202) 720-1294.

Top Five Markets for Major U.S. Commodities

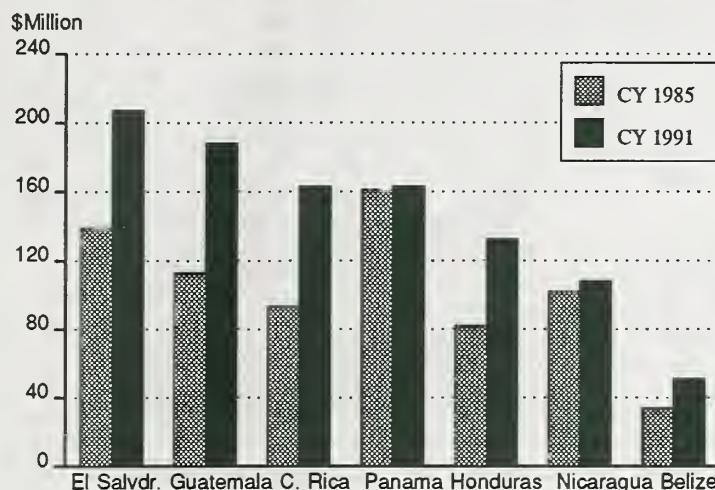
October-December Comparisons



Note: Percentages are computed as the change from 1991 to 1992.
// Negligible exports reported during comparable period last year.

Regional Spotlight: Central America

Central America Revives with Strong Agricultural Import Growth in Many Countries



Source: FAO

At \$578 million, U.S. agricultural exports to Central America have grown consistently at approximately 10 percent a year from CY 1986 to 1992. Such robust growth merits a high profile for this region. The U.S. has historically captured 50-65 percent of total food imports to these countries, but this statistic is heavily weighted by U.S. dominance of the bulk and intermediate product trade. Excellent potential for accelerated exports of consumer-oriented, high value products still exists, as the competition is not well entrenched.

Economic Improvements Begin With Reform

Known historically as an impoverished region highly dependent on banana and coffee exports which fell on hard times, the economies of Central America are nevertheless coming back strongly. The 1980s were marked by civil wars, severe recession, high levels of foreign debt and reduced export earnings brought on by lower commodity prices. Now, with the attainment of peace throughout the region and the beacon of Mexico's economic turnaround as an example, Central American leaders are finding that domestic reform and trade liberal-

ization can provide an enormous spur to their economies.

Two phenomenon are most striking about their strategy: the increasingly free market approach which they have taken towards economic recovery, and the greater international involvement beyond regional markets. Import permit requirements and other non-tariff trade barriers have been substantially eased. Food tariffs in many countries have been reduced from 50-200 percent to the 5-20 percent range. While significant trade barriers still exist in Central America, a further lessening of government control is likely. However, price bands for basic commodities will probably continue for the foreseeable future.

Examples abound of Central America's continuing integration with Latin America. The newly revived Central American Common Market (CACM) has begun liberalizing intraregional trade by establishing common import tariffs for most products. The northern countries (Guatemala, El Salvador, Honduras) will take this a step further by abolishing all duties by March 1, 1993. Bilateral free trade already ties El Salvador to Venezuela, and Costa Rica to Chile. Six CACM countries and the Group of 3 have

called for a free trade area, by July 1, 1993, within their countries. And 5 CACM members signed a pact with Mexico to complete a free trade agreement by 1996. Also in the spirit of international cooperation, several Central American countries either have recently joined GATT, or plan to join.

Although this makes Latin countries more competitive in certain products, the U.S. strongly favors integration due to the trickle-down effect. That is, as their economies improve and their standard of living rises, they will buy more from the U.S., especially as the strength of agricultural production of these tropical countries differ greatly from the U.S.'s. Integration also lays the groundwork to put a distribution facility in one country while shipping to several states. And tariffs on U.S. products will ultimately be reduced as integration proceeds.

Such accords suggest the deeper web of changes which these nations are taking more or less in step with each other. Within a few years, they partly diversified their export base, freed up the private sector and opened new markets. As a result, prosperity is returning. El Salvador's 1992 4 percent growth is forecasted to continue in 1993, making 5 consecutive years of real growth. Guatemala, Honduras and Panama are also projected to grow more than 4 percent in 1993. Costa Rica, a nation somewhat lagging the northern states' pace of liberalization, will further eliminate import restrictions in mid-1993, which will fuel sharper growth. Panama, the most reluctant reformer, loosened protection of its agricultural sector and abolished import quotas, although its tariffs remain high in many cases.

For U.S. exporters, the advent of peace (relative to past years) in Nicaragua and El Salvador, reduced trade barriers and improving economies alone cannot account for the radical changes in this market. An evolving retail system with new specialty food stores and supermarkets that newly stock foreign items heralds rising de-

....Central America

Price Bands Enacted

A major factor affecting shipments of bulk commodities is the region-wide phenomenon of price bands for basic foods. Price bands were first proposed for basic grains in El Salvador in 1990 as a condition for receipt of P.L. 480 foods. There was a dual rationale behind the price band -- to allow the nascent domestic industry to grow, and to stabilize the supply of basic commodities. Prior to this there was a licensing system, but licenses were hard to come by, causing a sporadic market.

The price band system improves on the prior situation, but it is still not a mechanism which free traders would espouse. For certain commodities coming in below the domestic price, a government places a variable tariff, making the price slightly more expensive than that of the domestic product. This levy would be added on top of the flat tariff, which is usually around 20 percent.

This mechanism for limiting imports went relatively unnoticed until the Department of Agriculture acquired negotiating authority for Title I food commodities under the 1990 Farm Bill. Since then, the price bands have caused friction in U.S.-Central American relations. Price bands act as a hurdle to American bulk product exporters even as they remain legal within GATT.

The Enterprise for the Americas Initiative (EAI), initiated by the U.S. in 1991 and signed by most Latin American countries, is a framework for the long term integration of hemispheric trade. Besides El Salvador, the price band system is now utilized in Guatemala, Honduras and Nicaragua. The price band mechanism works a bit differently in individual countries, but these countries are attempting to harmonize their procedures. The issue of price bands is likely to remain on the table during bilateral discussions between each of these countries and the U.S., under the EAI.

mand for groceries among the combined population of 30 million plus. Over the long term, demographic factors are also favorable, especially for consumer-oriented foods. These factors include a high rate of population growth, the strengthening attraction of urban centers to rural dwellers, a large proportion of people below 30 years of age, and rising numbers of working women. Additionally, widespread entrepreneurial activity may promise an expanding middle class with the means to purchase imported foods.

Sales From U.S. Rise Sharply

U.S. firms registered more than \$584 million in food sales to Central America in FY 1992. U.S. sales to Central America are just about half the value of U.S. agricultural exports to South America and roughly two-thirds the level to the Caribbean. Sales to Central America over the past five years

rose an impressive 41.3 per cent. This is about 4 times the growth rate of U.S. food exports to the Caribbean while U.S. shipments to the South American market actually contracted.

While U.S. sales to Central America are up more than \$171 million since 1988, the proportionate composition has changed. Bulk commodities

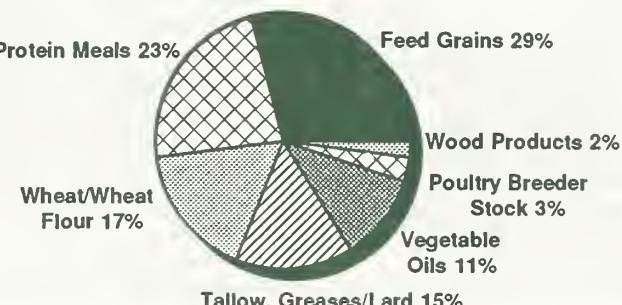
(largely wheat and coarse grains) remain the largest component in absolute terms, followed by intermediate and then consumer-oriented, high value products. However, consumer-oriented, high value foods are the fastest growing segment, up 63 percent from FY 1988 to 1992. Bulk commodities are up 47 percent, and intermediate (semi-processed) products are up more than 20 percent.

The U.S. has always been a major supplier of bulk and intermediate items; all of the countries (except Belize) have received basic commodities under one or more U.S. assistance programs. The most regular Food Aid recipients are Guatemala, Costa Rica and El Salvador under Title I of P.L. 480, and Honduras under Title III. Exporters to Guatemala and Panama, two of the more financially creditworthy nations in the region, access U.S. government guarantees for commercial sales of wheat, coarse grains, vegetable oils and other commodities under the GSM 102 and 103 programs.

U.S. Market Position

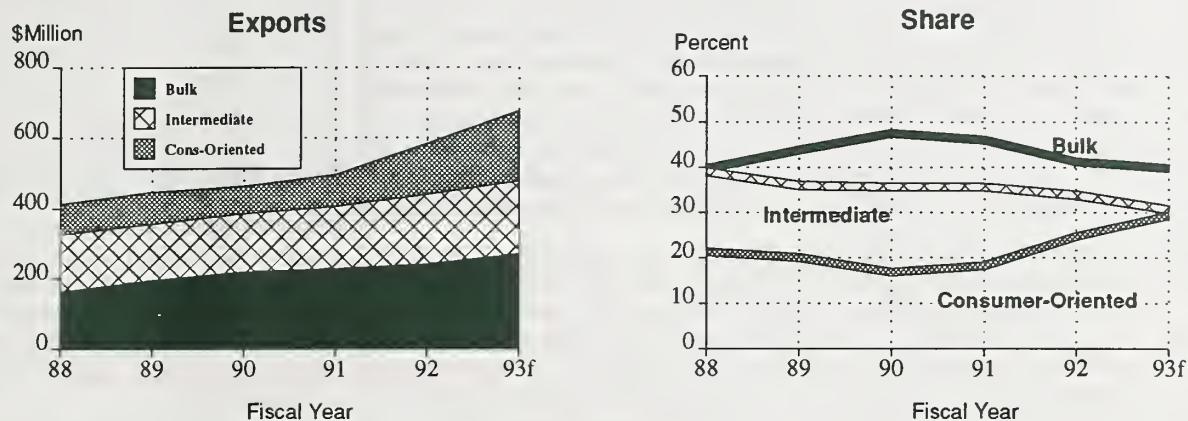
Central America imported \$358 million in bulk products from the world in CY 1991--up 82 percent from 1987. At \$253 million, the U.S. supplied 71 percent of this market. The U.S. dominance of bulk imports has become even more secure with time, which is understandable given its geographic proximity and its food aid and credit guarantees. The poorer people survive on basic staples, and it is cheaper in

Export Credit Allocations for Guatemala & Panama
Total FY 1992 = \$47 Million



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Consumer Foods More Than Double While All Categories Set New Record Highs



some cases to buy U.S. grain and process it than to grow it themselves.

Central America's intermediate, high value imports from the world rose 38 percent during 1987-1991. The U.S. was similarly the top source of intermediate products, supplying \$185 of \$227 million in 1991, or 81 percent. Over the recent past, the U.S. lost 9 points of market share to competitors in this segment. Soybean meal, vegetable oils and animal fats lead the list of U.S. exports in this area.

In contrast, the U.S. captured only about 25 percent of consumer-oriented food imports of Central America, or \$105 of a total \$427 million purchases in 1991. The U.S. leading products include dairy foods moving under government export incentive programs, and commercial shipments of processed fruit and vegetables, fresh fruit and poultry meat.

In 1991 the U.S. held the greatest share (over 35 percent) in Nicaragua and Panama, and trailed most significantly in El Salvador and Honduras. As a reference point, the U.S. recently sold approximately 60 percent of Mexico's consumer-oriented imports from the world. If the U.S. were able to increase its share in Central America to a level comparable to its share in Mexico, consumer-oriented exports

to Central America could rise to more than twice its current level, jumping \$150 million in the process.

A closer look at disaggregated sales indicates sales of U.S. consumer-oriented, high value products in CY 1992 reached all-time highs in every country of the region. Top consumer-oriented markets and the U.S. respective CY 1992 export values include Panama (\$48 million), Guatemala (\$27 million), El Salvador (\$20 million), Honduras (\$18 million) and Costa Rica (\$15 million). Together, the 3 top destinations account for 63 percent of total U.S. grocery exports to Central America.

Prior to CY 1992, U.S. consumer-ready exports were not uniform across the region. From 1986 to 1992, Belize had the strongest acceleration in demand for U.S. groceries (up 148 percent) among the countries, followed by Costa Rica (125 percent rise). These two nations purchased U.S. consumer-oriented foods in more or less steadily rising quantities. Guatemala, El Salvador and Honduras each purchased fewer U.S. groceries during 1988-1990 than in 1987; their rebound began in 1991. Although U.S. shipments to Nicaragua during the first 4 years of this period were nil due to an embargo on the Sandanistas,

they have since hit \$13 million. Sales to Panama were fairly erratic.

The Competition

Major competitors in the Central American market include Guatemala, Panama, Costa Rica and the EC-12. Other suppliers are Chile, Mexico, and New Zealand. While it is difficult to obtain current data for all countries, a reasonable inference has the EC supplying roughly a fifth of Central America's consumer-oriented food imports in 1990, slightly below the U.S.'s quarter share. EC rivalry is particularly strong in higher value processed products such as nonfat dry milk, cheese, prepared or preserved meats, and certain horticultural items. In fact, horticultural product imports are the most fragmented as suppliers compete for rising orders of fruit and vegetable juices, canned fruits, processed vegetables, fresh potatoes, wine, fresh grapes, apples, and chocolate products.

Other possible U.S. export opportunities include: dairy products, particularly frozen yogurt, margarines and cheese; condiments such as mayonnaise and mustard; additives for the food processing industry; barley malt; non-alcoholic preparations for drinks; and mixed oil for the production of infant formula.

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Working To Change The Way They Think About A Product

The International Sales Manager of Robert Mondavi Winery, Ms. Michelle Oltman, explained how they discovered a niche for their wines in Guatemala, Panama, El Salvador and Costa Rica. The decision to enter Central America was based on general enthusiasm for the region in the popular press and among wine industry sources. They work with direct agents in each country, plus a Caribbean agent who travels throughout the region. Since their wines are positioned to compete with the best European wines, Mondavi needed a concessionaire familiar with this customer base. They chose an agent who already represented several French wines. This provides an excuse to go into a small market, one where the initial volume may be small, but the upside potential is good.

Despite the lower cost of South American wines and the familiarity of upscale customers with European wines, Mondavi does not vary their wines' prices by market. Rather, they move product on prestige, image, quality and the sophistication of consumers. Marketing focusses on educating the trade. Promotional efforts involve bringing key buyers to a hotel, and explaining the vineyard's products, its philosophy and the excellent growing conditions in California and how they affect wine quality. Mondavi also supplies a limited amount of point-of-sale materials in Spanish.

Buyers initially take a fair amount of wine and then have difficulty with sales turnover. Ms. Oltman attributes this partly to buyers' inexperience selling the product, and partly to the market for high-end wines. The solution is greater effort to change the way buyers think about the product, because small amounts of market promotion and advertising have resulted in significant sales increases. This firm's success parallels the overall growth of U.S. wine sales, which are up 71 percent region-wide and up 150 percent in some countries.

An Underdeveloped Processing Sector

A dual structure characterizes Central America's agriculture. Large farms are oriented towards export production, and the small-farm (campesino) sector produces domestic food. Much of the agricultural land is used for cattle grazing to support beef exports. Diversification has led to cultivation of pineapples, melons, and specialty vegetables in modest amounts, also for export.

Still, Central America needs a range of imported food products primarily because their economies have not developed much of a processing sector, and there exists strong pent-up demand for such items. The general retail pattern shows price is the most important factor when Central American consumers consider purchasing consumer-ready food products. Typically, only the wealthy can afford to buy the more expensive U.S. consumer-ready food products. The middle income

group normally selects less expensive products produced locally or imported from neighboring countries -- countries which possess advantageous tar-

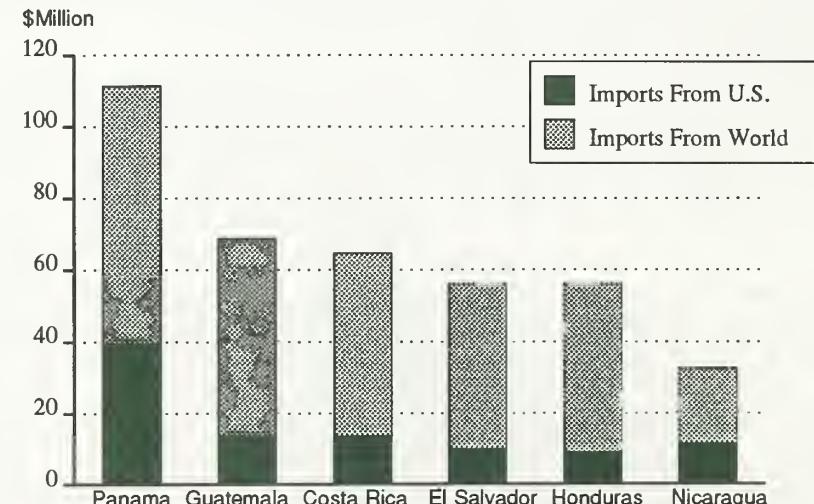
iffs and natural transportation advantage.

Notwithstanding this general pattern, there are circumstances which U.S. suppliers can capitalize upon, including the lack of local availability, the higher quality of American product, or the occasional price advantage of imported items. Illustrating how nonexistent local supply fosters U.S. opportunity, U.S. poultry parts to Nicaragua soared to record levels during several months of unimpeded shipments. Consumers preferred poultry parts over whole chickens, but while whole birds were readily available, packaged chicken parts were not domestically produced.

This import surge, however, was interrupted by the clamoring of the domestic industry for an outright ban on chicken part imports. Nicaragua's response, duplicated in other Central American countries in later months, is particularly relevant when considering the future course of trade, a point returned to later in this article.

The higher quality of U.S. products may provide a competitive edge even though price remains the determining factor in consumer selection. The vast

U.S. Market Share of Consumer-Ready Food Imports Largest in Panama, CY 1991



Source: U.S. Bureau of the Census, FAO

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majority of Central Americans able to purchase items originating in the U.S. are already familiar with major brand name U.S. products and favor them over products of third country competitors. While most persons of this income level have already visited the United States, cable television (very common in Central America) carries U.S. commercials, further enhancing the advantage U.S. products enjoy.

For example, one U.S. exporter of an extensive line of canned fruits and vegetables saw Costa Rican shipments rise 160 percent. Sales of fruit cocktail and canned figs, peaches, grapes, plums, and whole kernel corn all increased significantly. While he attributed the jump partly to the large number of retired Americans there who can afford high-quality U.S. goods, he believes brand recognition is high among professional Costa Ricans. Marketing to both groups explains the magnitude of the gain.

Similarly, increasing sales of U.S. frozen foods and health foods illustrate consumer sensitivity to differences in convenience, packaging and other variables.

Finally, Central American processors may be unorganized to the extent that it is cheaper to import and distribute the goods through their existing marketing channels than to manufacture the goods themselves. For example, the export director for a large U.S. shipper of processed franks explained that U.S. bacon sells for \$2.50/lb. in Guatemalan supermarkets, while the local product costs \$4.00/lb. Thus even consumers with limited purchasing power would choose American bacon.

Evolving Marketing Channels

A new export distribution industry has developed. For the northern tier of countries, major distributors serve as freight consolidators and supermarket agents and are concentrated in regional hubs like Miami, and to a lesser extent New Orleans and California. Supermarkets and wholesale distribu-

tors in Central America fax their orders to the U.S. wholesaler who prepares "mixed container" shipments. Generally, less than 10 days elapse between order and arrival. New companies also are forming in the region to import consumer-ready products, but not all will survive. As happened in Mexico, some wholesale consolidators are likely to be squeezed out as importers become more sensitive to freight costs and other variable costs.

A rapidly evolving retail distribution system contributes to the progress of imported grocery products. Notable trends include the rise of convenience stores and fast food restaurants, stronger penetration of supermarkets, growth of tourism and a parallel jump in hotel and restaurant establishments, and year-round availability of product. Western-style retail channels are gaining at the expense of large, open-air markets and the large variety of corner stores (pulperias), especially in rural areas.

Stores specializing in mostly U.S. products have become common in the capitals of El Salvador and Guatemala, especially in the wealthy neighborhoods. Convenience stores, often in conjunction with clean, modern gas stations, boast inventories that are made up of at least 20 percent U.S. consumer ready foods. U.S. fast food chains have opened in metropolitan areas. The supermarket industry is expanding in cities such as San Salvador, and to a limited degree in smaller Salvadoran markets.

In Costa Rica, supermarkets are increasing availability of consumer-ready foods yearround, rather than just at Christmas, the traditional time for edible treats. With 40 outlets in the largest chain and another 3 to 4 smaller chains, supermarkets are not as prevalent in Costa Rica compared with other Latin countries. Instead, delicatessens serve as food and gift stores.

Even in Honduras, one of the least developed Latin American countries, U.S. fast food establishments were in-

troduced over the past 3 to 5 years. Urban consumers find foreign products at smaller stores as well as supermarkets, supporting an increasing level of import spending.

Finally, Panama may be uniquely conducive to imports as Panama City's supermarkets look almost like those found in any large U.S. city. "Due to many years of American influence", claimed a knowledgeable exporter, "it is almost an offshoot of Miami." Items are labelled in English, as more Panamanians speak English than in other Latin countries.

The Future Looks Favorable

From the vantage point of the U.S., is this growth sustainable? Trade restrictions of the kind imposed following large shipments of U.S. poultry parts goes to the heart of this question. The threat of renewed protectionism, particularly in items which compete directly with local capacity, may stall Central America's overall movement towards a freer market, and may moderate U.S. private sector enthusiasm. As one U.S. food exporter said, "I predict reasonable growth as long as politics and/or trade imbalances don't interfere."

Yet, most firsthand observers believe that, like in Mexico, there is no turning back. Remarkable similarities between certain countries in 1992, Guatemala and El Salvador among them, and Mexico in 1988, should give U.S. exporters an important advantage and also optimism for the future. The proliferation of intraregional free trade pacts is only the first good sign. Continued economic growth, a general lowering of import duties, and positive demographic and retail trends have created conditions favorable to increased imports of all categories of food imports, especially consumer-ready foods.

For more information, contact Diane Dolinsky at (202) 690-1886 or Marsha Moke at (202) 720-1314.

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Demographic Characteristics of Central America

	Guatemala	El Salvador	Honduras	Costa Rica	Panama	Nicaragua
Total Population (mil,1992*)	9.7	5.4	5.4	3.1	2.5	4.1
Population Growth Rate (% ,1990)	2.9	1.8	3.0	2.6	1.6	3.3
Cities over 100,000 people	7	4	4	5	n.a.	n.a.
Cities over 500,000 people	1	0	0	1	1	1
Urban Population (mil,1990)	3.6	2.3	2.2	1.3	1.3	2.3
Gross Domestic Product/Capita (\$ 1992*)	1,047	1,170	555	1,864	2,346	710
% of Household Consumption for Food	36	33	39	33	38	n.a.
Daily Protein Supply/Capita (grams)	55.9	56.1	55.6	66.2	65.1	54.6
Percent of Female Population Employed	25.2	40.0	12.0	29.3	n.a.	n.a.
Female Labor Force/Tot. Labor Force (%)	16.4	25.1	18.8	21.8	27.2	25.2
Illiteracy Rate	44.9	27	26.9	7.2	11.9	n.a.
*Estimated						

These countries have small populations and all belong in the lower-middle-income group of states, as defined by the World Bank. Yet significant differences exist in their demographic profiles. Guatemala has the largest economy in Central America with a population approaching 10 million. El Salvador's small land area and large population make it the most densely populated country in the Western Hemisphere. With the exception of El Salvador and Panama, the populations are expanding at or near three percent per annum. A large number of Central Americans are under 30 years, suggesting high birth rates into the future. The combined urban population exceeds 13 million. The number of city dwellers continues to grow rapidly as people migrate from rural to urban areas, primarily for economic reasons.

The extent of poverty varies greatly not only among states, but also within regions of a single country. Panama, the most service-based economy among them, has the highest level of development as measured by GDP per capita, and Honduras the lowest level. In Honduras perhaps 60-70 percent of the population lives in extreme poverty. There, as elsewhere in Latin America, poverty as measured by low income tends to be at its worst in rural areas, and especially in steep hill-slope areas that are economically vulnerable. Large parts of Guatemala, Honduras and Nicaragua fit this description. Concentrations of poverty are also associated with the large Indian population in Guatemala, a group which is less educated and rather isolated from the market economy.

Considering the stark disparities across regions, statistics suggest only the average diet. Between 33-39 percent of Central American household purchases go towards food. This fits within the observed range of most other lower-middle-income economies, but it is higher than in Chile and Colombia. In the poorer Central American countries, people eat approximately half the daily protein consumed in the U.S. (55 vs. 110 grams), while Costa Rican and Panamanian citizens eat 10 grams more, reflecting their greater affluence.

Throughout Central America women are entering the labor force in greater numbers. In El Salvador, 40 percent of females presently work, and in three of the countries women make up more than a quarter of the labor force. Tying these trends together, Guatemala, for example, falls in the mid-range of income between Panama and Honduras. Income per person there is approximately \$1,047, but a typical family of five spends about \$1,600/yr. on food. Thus working women's earnings can permit a family to meet its expenses.

These demographic characteristics become more important in light of the recent economic growth. Long-run regional growth can lead to poverty reduction, a fact of paramount importance to U.S. businesses because it implies the size of the population that can afford consumer goods --the middle class-- could continue to grow. This means more U.S. food exports. Evidence to support this thesis comes from World Bank projections based on historical data. In one simulation of the period 1971-86, Costa Rica experienced long-run growth. According to World Bank analysis, there was a 21 percent observed reduction in poverty. And while one country does not prove the case for the region, U.S. exporters would do well to heed the message.

U.S. Agricultural Exports by Commodity Type to CENTRAL AMERICA

Calendar Year 1986-1992
(In thousands of dollars)

...Central America

Product	Calendar Years					1991	1992
	1986	1987	1988	1989	1990		
BULK COMMODITY TOTAL							
Wheat	115,061	128,990	166,635	200,726	232,746	253,416	224,929
Coarse Grains	79,374	76,516	88,571	104,185	116,466	107,070	105,833
Rice	12,950	22,036	29,950	42,138	65,434	75,270	54,449
Soybeans	4,662	4,276	8,486	15,909	10,665	30,876	24,907
Cotton	6,740	13,123	15,459	20,705	21,406	22,672	24,177
Tobacco	3,358	7,547	12,521	3,500	7,342	6,903	7,357
Pulses	864	1,161	1,824	4,881	2,807	2,342	2,228
Peanuts	4,804	3,300	8,405	6,918	6,328	5,125	3,743
Other Bulk Commodities	307	299	275	1,015	794	1,097	803
INTERMEDIATE TOTAL	2,003	733	1,144	1,475	1,505	2,060	1,432
Wheat Flour	143,793	147,644	160,052	163,282	164,875	184,796	203,205
Soybean Meal	662	453	377	2,416	1,413	842	296
Soybean Oil	23,452	35,104	45,208	36,340	31,983	38,559	49,551
Other Vegetable Oils	6,517	8,175	6,319	6,651	10,741	18,685	11,895
Feeds & Fodders (Excl Pet Foods)	31,581	18,558	16,472	26,524	18,692	10,979	18,314
Live Animals	5,797	6,471	6,283	7,518	8,430	12,345	15,498
Hides & Skins	4,035	5,594	3,188	3,667	3,594	4,679	5,894
Animal Fats	890	598	968	290	882	842	578
Planting Seeds	26,098	28,153	32,201	27,748	27,907	36,016	40,425
Sugars, Sweeteners, & Beverage Bases	4,400	5,473	5,051	5,973	5,606	6,823	8,161
Other Intermediate Products	20,437	19,649	21,608	26,851	35,273	35,194	29,261
CONSUMER-ORIENTED TOTAL	19,924	19,418	22,378	19,304	20,354	19,831	23,333
Snack Foods (Excl. Nuts)	81,481	101,387	92,671	83,313	78,832	104,913	149,605
Breakfast Cereals & Pancake Mix	4,545	5,156	5,592	7,410	5,839	6,600	9,199
Red Meats, Fresh/Chilled/Frozen	2,055	2,667	4,063	3,090	3,157	4,383	8,137
Red Meats, Prepared/Preserved	1,684	1,996	2,212	2,460	1,804	1,603	2,321
Poultry Meat	3,082	3,515	2,599	3,501	3,983	4,427	5,047
Dairy Products	1,394	882	805	1,324	1,065	8,080	14,624
Eggs & Products	28,325	39,251	26,105	8,324	4,630	6,518	21,390
Fresh Fruit	1,741	1,857	2,547	1,374	1,646	3,397	4,097
Fresh Vegetables	8,626	8,596	7,433	8,985	11,897	15,995	15,066
Processed Fruit & Vegetables	571	1,150	902	1,187	1,807	1,723	1,490
Fruit & Vegetable Juices	9,441	9,774	9,417	18,249	18,070	19,220	22,305
Tree Nuts	4,051	4,102	4,249	6,121	6,765	8,753	10,345
Wine and Beer	1,330	1,154	1,002	1,336	830	965	1,450
Nursery Products & Cut Flowers	1,906	4,449	5,992	6,664	3,974	6,131	10,276
Pet Foods	873	993	1,079	609	1,437	1,600	1,756
Other Consumer-Oriented Products	11,116	15,550	18,361	12,162	11,477	14,969	20,698
AGRICULTURAL TOTAL	340,335	378,021	419,358	447,321	476,453	543,125	577,739

Product Spotlight: Turkey Meat

Product Spotlight continues this month with a look at exports of turkey meat. Since 1988, U.S. sales to foreign markets have risen five-fold, topping a record \$134 million in 1992. If current trends continue, the U.S. will soon become the world's top turkey meat supplier with exports expected to reach nearly \$200 million by the late 1990s.

Boosted by a growing world demand for lean, low-cost alternatives to traditional meats, U.S. exports of turkey products reached a record \$134 million in calendar 1992, up from \$24 million in 1988. With a highly efficient production and processing sector relative to competitors in the global market, the U.S. turkey industry expects meat exports to continue growing, with sales expected to reach nearly \$200 million by the late 1990s.

The largest turkey meat export are frozen raw leg and thigh portions, accounting for nearly three-fourths of the total. These meats are used primarily as a substitute for pork by meat processors in foreign markets. Having achieved a high feed-to-meat ratio, as well as access to low cost feeds, the U.S. turkey industry has become highly competitive in the price driven raw materials market. One indication of this is the growing share of world

turkey meat trade (an estimated 90% of which is raw materials) accounted for by U.S. suppliers, rising from 20 percent in 1988 to 40 percent in 1991, the last year world turkey meat trade data are available. Additionally, U.S. suppliers have accounted for nearly all the growth in world turkey meat exports since 1988. These sales gains have occurred despite the presence of subsidized meat exports from the European Community, the world's largest turkey meat exporter.

Mexico is the top U.S. frozen turkey cut market with sales nearly doubling in 1992 to \$56 million. Mexican meat processors are rapidly becoming aware of turkey meat's excellent processing attributes, particularly its ability to mix with other meats and ingredients in products such as bologna, salami, and ham. U.S. exporters expect robust growth to Mexico to continue as the delivered price of U.S. turkey cuts is expected to remain well below Mexi-

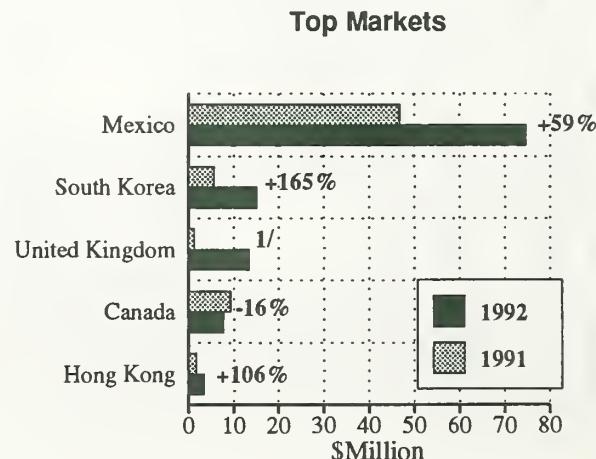
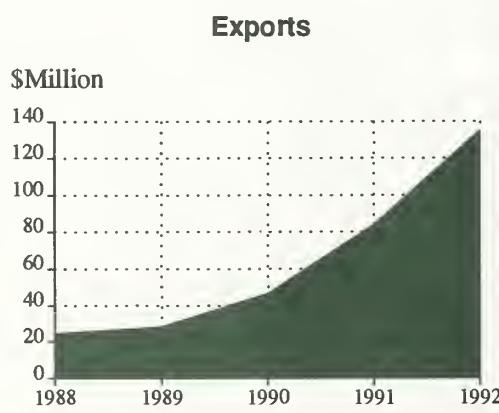
can pork prices through the mid-1990's.

Raw turkey product sales to South Korea, the second largest market, also rose sharply in 1992, topping \$15 million. Similar to the Mexican market, South Korean buyers use U.S. turkey meat as a substitute for pork in further processed products. U.S. turkey meat enjoys a superior image compared to competing turkey meats by importers in the Korean market. This is evidenced by the roughly 50 percent market share in Korea for U.S. turkey meat, despite costing significantly more than turkey imports from France, the only other important supplier to Korea.

Hot Dogs, Bologna, and Ham

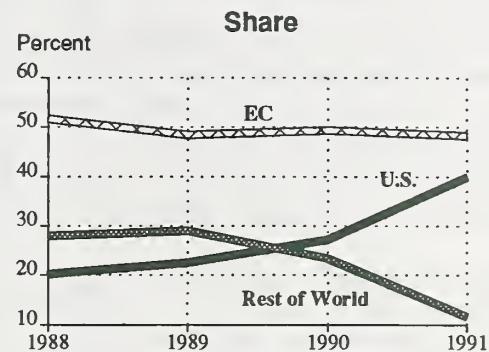
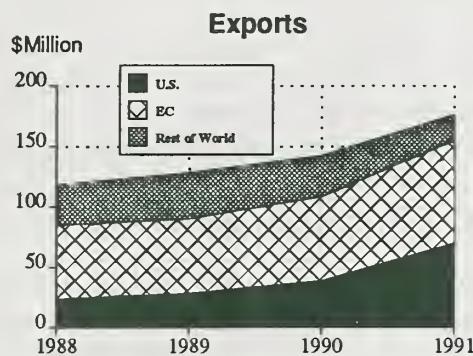
While small, exports of finished turkey products, such as turkey hot dogs, ready-to-slice breasts, bologna, and ham are also growing, with sales reaching a record \$15 million in 1992, up from \$3 million in 1989. With health concerns rising globally, U.S. exporters expect that consumer interest in lean meats, such as turkey, will expand. Media and in-store promotions, such as those funded by USDA's Market Promotion Program, are considered important to boosting the finished product trade (see inset

1992 U.S. Turkey Meat Exports Jump 62 Percent to Record \$134 Million



....Turkey Meat

U.S. Accounts For Growing Share of World Turkey Meat Exports



Note: Data exclude trade within the EC.

this page). These promotions have been particularly helpful in informing consumers about the nutritional benefits of turkey and the product's tastiness and versatility for use in meat recipes.

Mexico is the top finished-product market with sales nearly doubling in 1992 to \$10.5 million, and U.S. exporters expect Mexican demand to continue to grow. These sales comprise a wide range of turkey products, including meats sold through the deli case. U.S. shippers are discovering many Mexican consumers, unlike those in the U.S., further prepare pre-cooked meats in many traditional dishes.

Nearly all sales to Mexico are to the roughly 20% of the population who can afford supermarket foods. Market research results suggest these Mexican

consumers also tend to be more health conscious than the rest of the population. U.S. turkey promotions aimed at this segment have positioned finished turkey products as a leaner more healthful alternative to pork and beef.

Challenges in Other Finished-Product Markets

Interest in U.S. consumer-ready turkey is also growing in the United Kingdom and Hong Kong although significant barriers exist in both markets. In the United Kingdom, where domestic and French imports account for the majority of sales, U.S. producers face a 17 percent tariff on prepared turkey imports from outside the Community, as well as a depreciated British pound that lost nearly one-fourth its value against the dollar during 1992. Despite these obstacles, one shipper is working to fill a significant niche for

premium quality ready-to-slice turkey breasts. The firm is supporting its quality position in the U.K. market with extensive in-store promotions that feature product demonstrations and displays.

In Hong Kong, U.S. exporters are having some success overcoming a poor image for turkey, caused in part by its Cantonese translation which is "fire chicken." Total U.S. turkey meat sales to Hong Kong jumped more than 50 percent in 1992 to nearly \$4 million. While most of this is raw product, U.S. exporters report a growing interest among Hong Kong consumers for finished products such as ground turkey meat.

U.S. shippers are confident that demand for new consumer-ready turkey products--which was instrumental in doubling per capita turkey consumption in the U.S. during the past seven years--will also continue to rise in foreign markets. Much of this optimism stems from a growing worldwide realization of how diet affects health, particularly among consumers in newly industrialized countries such as Mexico and Korea. Meanwhile, raw products for further processing will continue to dominate U.S. turkey trade, with strong growth prospects through the 1990s.

For more information, contact Mike Woolsey (202) 690-0553.

Market Promotion Program Helps Build Export Markets for U.S. Poultry

To assist U.S. exporters with foreign market development, USDA provides funds under the Market Promotion Program (MPP), formerly the Targeted Export Assistance (TEA) program. Funds for turkey meat promotions are administered through the U.S.A. Poultry and Egg Export Council (USAPEEC). In fiscal 1992, 17 poultry and egg firms participated in the branded MPP through the USAPEEC, with activities in important markets such as Japan, Hong Kong, and Mexico. Since fiscal 1986, USAPEEC allocations under TEA and MPP averaged just over \$6 million per year. During the same period, U.S. poultry and egg product exports more than tripled, reaching a record \$1.1 billion in fiscal 1992.

Competition in the Global Marketplace:

The second in a series of articles to examine U.S.-EC competition in the global marketplace, this article focuses on the U.S. and EC positions in the Japanese market--a market which fueled much of the growth in global agricultural trade during the last twenty years.

The United States has dominated Japan's agricultural import market for more than two decades. Accounting for just over one-third of all imports, the United States is the largest supplier of bulk, intermediate and consumer-oriented agricultural products. While the EC does not compete in the bulk market, it has become the fourth largest supplier of intermediate goods and the second largest supplier of consumer products to Japan. After reviewing Japan's import trends, this article identifies where U.S.-EC competition is greatest and examines what it requires to be successful in the Japanese market.

Japanese agricultural imports from all countries rose from \$4 billion in 1971 to \$27 billion in 1991. Wood and seafood imports added an additional \$10 billion and \$9 billion in 1991, respectively. The growth in national income, a result of Japan's export-led economy, has translated into tangible results for foreign suppliers as the Japanese seek to improve and diversify their diets. The U.S. share of Japan's total import market rose from 30 percent in 1971 to a record high of 42 percent in 1983, then fell back to 35 percent by 1991. Most of the recent decline was due to a loss in market share in the bulk commodities category. The EC share of Japan's total import market remained fairly stable at three to five percent from 1971 to 1984, then rose to a record nine percent by 1991.

As Japan's Imports Climb, the Emphasis Shifts to Consumer Foods

Underlying this overall expansion in Japanese imports, a major shift occurred in the import balance sheet between bulk agricultural commodities and high-value consumer foods. Bulk commodities (e.g. wheat, coarse grains, soybeans and tobacco) were replaced by consumer foods (i.e. items typically purchased by consumers at the retail level) as the largest sales category. As a percent of total sales, bulk imports started falling during the mid-1970s, and were finally surpassed by consumer food imports in 1989. The latter now account for nearly half of the total import bill. Japanese consumer demand for an improved and more diverse diet has proven so strong

that it could only be satisfied in the near term by importing more products which require little or no further processing.

Consumer foods now account for nearly half of Japan's agricultural imports.

Has this shift in Japan's import balance sheet toward consumer foods benefited the EC to a greater extent than the United States? One might assume this to be the case given the EC's diverse heritage of fine cuisines and specialty products, and because it is the world's largest exporter of consumer foods. The answer to this question, however, is: no. From 1971 to 1991, U.S. suppliers increased their share of Japan's import market for consumer foods from 14 to 29 percent, while EC suppliers increased their's from 13 to 15 percent.

Little Direct U.S.- EC Competition in Japan's Market for Bulk and Intermediate Products

In 1991, Japan's imports of *bulk commodities* reached \$9.8 billion. The major import items were unmilled corn (\$2.2 billion), cotton (\$1.2 billion), soybeans (\$1.1 billion), unmilled wheat (\$.9 billion), natural rubber (\$.6 billion), coffee beans (\$.6 billion), and tobacco (\$.5 billion). The United States, with its abundant arable land base and low costs of production, clearly maintains a competitive advantage over the EC in the bulk commodities category. U.S. suppliers account for 46 percent of Japan's bulk commodity imports while the EC share of

the market is less than one percent. With lower transportation costs also favoring U.S. suppliers, the EC is not in a position to compete on a level playing field. Since the EC has refrained from using export subsidies to gain market access, the United States mainly competes with countries in the Asia-Pacific region (i.e. China and Australia), South America (i.e. Brazil and Argentina) and Canada.

Japan's imports of *intermediate products* reached \$4.5 billion in 1991. U.S. suppliers account for 28 percent of Japan's intermediate product imports while the EC share of the market is nine percent. In this product category, production costs, quality considerations, and/or the efficiency of processing industries tend to define a country's competitive edge. Live animal and animal products and grain and feed products account for three-fourths of Japan's intermediate product imports, as they have during the past twenty years.

Cattle hides and wool accounted for 84 percent of total imports in the live animal and animal products group which was valued at \$1.7 billion in 1991. U.S. suppliers dominate the cattle hides market (valued at \$520 million in 1991) by offering a uniform, high-quality product--most cattle are slaughtered for the meat industry once they are two years old which ensures hides have few blemishes. The EC system, on the other hand, lacks economies of scale and slaughters animals at different ages.

....U.S.-EC Competition in Japan

The story on wool is different. The EC and a few Asian Pacific-Rim countries (especially Australia) dominate the wool trade (valued at \$905 million in 1991) with Japan. The large sheep industries of these countries produce a surplus which can be exported. By comparison, the U.S. industry is small and has limited experience with international grading standards. In the related area of live animals and animal genetics, U.S. and EC suppliers dominate the Japanese market. U.S. suppliers maintain a large lead in the market for live cattle, while U.S.- EC competition is especially fierce in the markets for live poultry and horses. Strict standards established by breeder associations and the quality control programs of private breeders are important in maintaining a competitive edge.

Hay fodder, food wastes for animal feeding, and flours and starches used in consumer foods accounted for 98 percent of total imports in the grain and feed products group which was valued at \$1.5 billion in 1991. U.S. suppliers dominate the animal feed market (valued at \$1 billion in 1991) because lower production costs, abundant supplies, and lower transportation costs provide a competitive edge. On the other hand, U.S.- EC competition

is stiff in the flours and starches market (imports were valued at \$448 million in 1991) where EC suppliers have edged out the United States in recent years. The ability to meet rigorous grading standards and access to advanced processing technology are critical to succeed in this market.

The United States and the EC tend to be marginal suppliers in the horticultural, oilseed and miscellaneous product groups, which accounted for 16 percent of Japan's intermediate product imports in 1991. The United States and the EC generally do not compete in the same markets, and supply, as a rule, only those items which they historically produce. For example, the United States is a major supplier of sunflower and cotton seed oils, whereas the EC dominates the olive oil market.

Sharper U.S.- EC Competition in Japan's Consumer Products Market

Japan's imports of *consumer food products* reached \$12.6 billion in 1991. If seafood is included in the total, this figure rises to nearly \$22 billion. Excluding seafood, U.S. suppliers account for 29 percent of Japan's consumer food imports while the EC share of the market is 15 per-

A Note on Trade Statistics

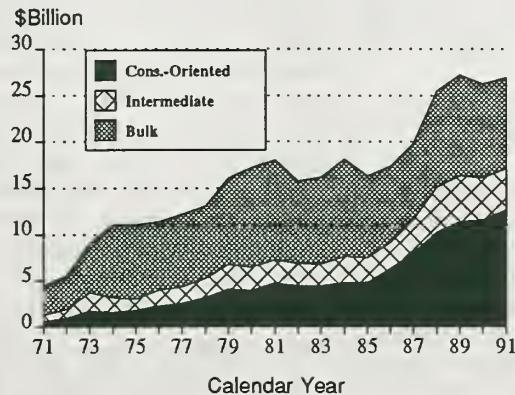
The Japanese import data used in this article are from the United Nations Statistical Office. These data are maintained and manipulated by FAS software programs. At the time of this writing, 1991 statistics were the most current figures available. Unless otherwise noted, all agricultural trade figures exclude wood products, seafood, cigarettes, and spirits.

cent. Success in the Japanese consumer foods market depends on many factors other than price. Foreign suppliers compete mainly on the basis of product quality and product image. In the highly competitive Japanese market, consumer lifestyle research and product promotion are indispensable tools in gaining and holding market share. Furthermore, in the race to gain a competitive edge, the manufacturer's ability to penetrate food distribution channels is of key importance.

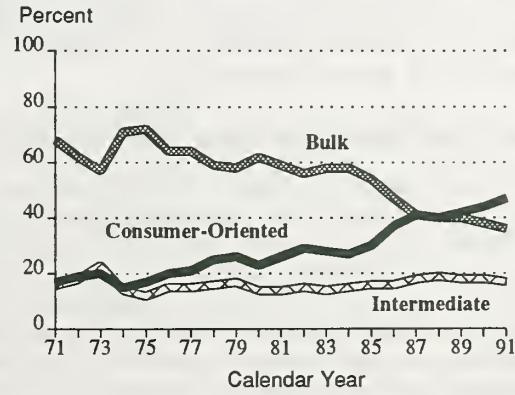
Dairy, meat, seafood and horticultural products are the major product groups imported, accounting for more than 90 percent of Japan's consumer food imports during the past twenty years. In 1991, Japan's imports of chilled and frozen beef, pork and offals reached \$5 billion. The United States domi-

Consumer Foods Top Bulk Commodities as Japan's Imports Grow

Imports



Market Share



....U.S.-EC Competition in Japan

nates the EC in beef and poultry meat, whereas the EC (Denmark) supplies more pork.

The case of pork is exceptional because EC support policies have influenced competition. Danish pork bellies and loins receive export subsidies which in turn reduce the final delivery price. The export subsidy issue aside, the Danish pork industry is a world class competitor. It is organized into cooperatives and uses state-of-the-art slaughtering plants to cut costs and achieve high quality control-factors which have allowed Danish pork to gain a strong foothold in Japan's market, and especially in the lucrative gift pack market.

With respect to dairy products, the EC maintains a large lead over U.S. suppliers. EC suppliers maintain this competitive edge due to the EC's dairy support programs which create large surpluses available for export, expertise in the production of a large assortment of natural cheeses, and world-famous brand names which convey the image of high quality.

Japanese imports of consumer-ready horticultural products rose from \$2.4 billion in 1985 to \$6.0 billion in 1991, making the horticultural products group one of the fastest growing of all product groups. U.S. suppliers maintain a strong competitive edge in less processed products like fresh fruits, fresh vegetables and tree nuts where quality is defined by uniform size, freshness and appearance. The efficiency of West Coast agribusinesses also helps U.S. suppliers maintain a lead over the EC in most frozen and

preserved fruits and vegetables. U.S. suppliers also maintain an edge over their EC competitors in juices, beer, nonalcoholic drinks, and seasonings. On the other hand, the EC maintains a competitive edge in many highly processed products. This is especially true for wines and spirits, confectioneries, jams and jellies, tea and coffee, and ornamental plants where quality is defined by a product's image of luxury and identification with a superior brand name.

Ingredients for Success in the Japanese Consumer Foods Market

A successful marketing strategy must address product quality, product image, consumer research, product promotion, and a means to penetrate food distribution channels. Two cases can be used to illustrate these points.

First, let's examine fruit and vegetable juices, where U.S. suppliers hold a commanding 45 percent of an import market valued at more than \$260 million in 1991. U.S. juice companies have used different marketing strategies to arrive at the same goal--a strong position in the Japanese juice market. Tropicana, for instance, gained market access by offering high-quality products and relying on a well-established Japanese beverage company for distribution. Tropicana was already producing high-quality juices for a discriminating U.S. market, using advanced processing technologies to ensure a fresh taste. The U.S. company then tied up with Kirin Beverage Corporation to take advantage of the

Japanese company's extensive distribution network.

Welch Foods, on the other hand, used a different strategy to gain market access. In 1976, it established its own subsidiary known as Welch Foods of Japan Co., and focused its media campaigns on establishing an image of quality for its juices. Since Welch was in the market long before the pure juice market took off, its pure juices faced considerable price resistance. To solve this problem, the U.S. subsidiary introduced its juices by "pick-

In the consumer foods market, suppliers compete mainly on the basis of product quality and image...an ability to penetrate food distribution channels

ing-off" high-income customers. Sales efforts were focused on first-class hotels and department stores and luxury food stores. The market grew from the top down; as customers became familiar with the superior taste of pure juices, they began asking for the item at local coffee shops and restaurants.

The case of alcoholic beverages highlights a second example of a successful marketing strategy. For companies which are not large enough to set up their own foreign subsidiary, the solution may be to join forces by establishing a joint venture or partnership with other firms that understand the Japanese market and already have a presence there. Moet-Hennessy and United Distillers did just that when they formed a joint venture with Jardine Matheson in 1988. The new business, known as Jardine Wines and Spirits K.K. (JWS), was formed to strengthen the sales and distribution of the partners' brands by building on Jardine's long and extensive experience with wholesalers in Japan--a presence which goes back to 1859.

JWS handles a large assortment of high-end whiskeys, cognacs, gins and champagnes. While it also sources

Japan's Seafood Market Offers Major Sales Opportunities

Japan's import market for fish and shellfish (fresh and frozen) was valued at \$9 billion in 1991, making it the single largest group in the consumer foods category. During the past few years, several seafood products have appeared on the list of the top ten foods imported. In 1990, as in other years, shrimp and prawns took first place with imports valued at \$2.8 billion. Salmon and trout, tuna, and crab were ranked in seventh, eighth and ninth place at \$1 billion, \$900 million, and \$600 million, respectively. Japan also imports large amounts of processed marine products (in particular, eels and cuttlefish) which were valued at \$400 million in 1990.

....U.S.-EC Competition in Japan

spirits from the United States, its best sellers are European brands like White Horse Scotch whiskey and Moet & Chandon champagne. The results of this new venture have been excellent. With 20 to 25 percent annual increases in sales, JWS is now the third largest marketer of wines and spirits in Japan. The decision to create a joint venture, however, is only part of the JWS success story.

"What we like to do here in Japan is to blend the disciplines of Japanese-style sales methods with the Western-style marketing approach," says the senior managing director of JWS. The company relies on the Japanese distribution system, using the relationships with wholesalers that Jardine has cultivated for more than a century. The JWS sales team is recruited from Japanese university graduates, who expect to develop lifetime careers with the company.

"We like to blend Japanese-style sales methods with the Western-style marketing approach."

JWS also works hard to break the myth commonly held by its suppliers (and one that many Japanese firms still tend to believe) that the Japanese market is homogeneous. Based on these differences, JWS runs a focused marketing strategy, introducing only one product to each segment of the market. This approach also has the advantage of reducing potential market share conflicts among the products JWS handles.

Market research clearly identifies different lifestyles and behavior among the Japanese.

The mass market, which is dominated by Japanese producers, is extremely difficult to penetrate because it requires an enormous financial investment. However, this being the case, JWS devotes considerable resources to identifying new segments and introducing new products in the luxury spirits market. Young adults who travel frequently overseas and whose values and beliefs are changing from those held by previous generations are an especially important target group.

Final Remarks

Consumer foods is the largest and fastest growing category of agricultural products imported by Japan. It now accounts for nearly half of Japan's total agricultural imports. While the United States is the major supplier of these goods, EC suppliers have captured second place and are very competitive in several highly-processed products. Little direct U.S.-EC competition exists in the intermediate products category, and the EC ranks fourth just behind China and considerably behind Australia and the United States, the two largest suppliers of food products in this category.

A successful sales strategy for consumer foods must consider several elements. First, products must fit the requirements of the consumer, which, in Japan, often means that they must be of the highest quality. The appearance

of a food, which is often determined by freshness and color, is usually critical. As the old saying goes, "The Japanese eat with their eyes". Second, product image is very important. The right message is often one that conveys the image of luxury or "western-style" habits. At other times, health-related qualities or convenience may be the determining factor. Third, product promotion and consumer research are essential in the highly dynamic Japanese market.

Finally, access to distribution channels is critical. In some cases Japanese trading companies can provide the needed connections. More recently, a few Japanese supermarket chains have actually set up buying companies in supplier countries. This takes advantage of combining lower costs for labor and raw materials with Japanese knowledge of how to prepare foods that have sales potential. The more common means of entering Japan's markets, however, usually involves the creation of a subsidiary, joint venture or partnership. Establishing a relationship with a local company is especially important in Japan where personal relationships and marketing power are used to gain access to distribution channels.

For more information, contact Ernest Carter (202) 720-2922

Trade Policy Updates

Russia's Agricultural Reforms To Focus On Collective Farms

The most recent rewrite of the April 1992 'Program for Agrarian Reform and the Development of the Agro-industrial Development of the Russian Federation for 1993-1995 and until 2000" is finally expected to be adopted with the major emphasis to change from the development of private farms to the maintenance of collective farms. Other highlights of the plan include the gradual lifting of restrictions on the buying and selling of land, programs to increase yields and decrease post-harvest waste, developing agricultural processing, and encouraging technology imports and agricultural exports.

Belarus Strives To Achieve Food Self-Sufficiency

Belarus, once the primary rye, dairy and meat producing republic for the Soviet Union, is now striving to achieve food self-sufficiency by increasing production of grain, sugar and vegetable oil. The Government of Belarus (GOB) will lay aside more land for grain crops, sugar beets and rapeseed, concentrate on increasing yields and build a new sugar refinery. The GOB expects to achieve self-sufficiency in grain in 3 years and in sugar and vegetable oil in 5 years. To complement its directive, the EC is sponsoring a \$1.6 million agricultural technical assistance program.

EC AG Council Meets And Discusses The Uruguay Round

The EC Agricultural Council met on January 18 for the first meeting of the Danish Presidency and the first meeting with the new EC Agricultural Commissioner Steichen. The agenda was limited to discussion on the Uruguay Round negotiations and formal adoption of an increase in the number of cows eligible for the suckler cow premium. The Council's discussion on the Uruguay Round lasted three hours, with the Member States taking familiar positions. The Council rejected a French demand to create a special high level study group to determine if the U.S.-EC agreement is compatible with CAP Reform.

EC Reports Agricultural Income in 1992 Down 1.6%

Preliminary results published by the EC show that real agricultural income, measured as value added per annual work unit, fell 1.6 % in 1992. The decrease was mainly explained by lower real prices for agricultural products, especially crops. Overall total real crop production value fell 8.9%, while the drop in real livestock production value was less, 1.5%. Because of the different product mixes, a large discrepancy was seen between the changes for the different Member States, ranging from a 12.5% drop in the Netherlands to a 12.0% increase in Ireland. France, Germany, and Luxembourg were the only other countries to show gains.

Spain Voices Opposition To 'Quick Fix' Approach To EEA

In the wake of last month's rejection of the European Economic Area (EEA) by the Swiss, Spain is strenuously objecting to proposals which would simply eliminate Switzerland as a signatory, keeping all other other provisions intact. As part of the EEA agreement, European Free Trade Area (EFTA) countries were expected to help finance the EC's assistance programs for its poorer regions (Cohesion Fund), with the Swiss slated to provide the largest contribution. As the current EEA text earmarks over 50 percent of the Cohesion Fund for Spain, Spanish officials have insisted on some form of reapportionment of the Swiss contribution among the remaining EFTA countries. Additionally, Spain is requesting greater access for its agricultural products into the remaining signatory countries and national treatment for about 90,000 Spanish workers living in Switzerland.

EC and Romania Sign Association Agreement

On February 1, the EC and Romania signed an Association Agreement providing for closer economic and political links. The Agreement is similar to the Agreements which the EC signed with Poland, Hungary, and the former Czechoslovakia in December 1991. The agreement must be ratified by the national parliaments of all the EC Member States, Romania, and the European Parliament.

...Trade Policy Updates

Two Japanese Economists Clash In Public Debate On Rice Tariffication

In a recent widely-publicized debate on January 21, two well-known Japanese agricultural economists assessed the potential impact of the Uruguay Round Dunkel Text on Japanese rice producers. Not surprisingly, the two professors' views differed markedly. Dr. Morishima of Tokyo University, comparing Japanese rice to Thai rice, stated that a 900 percent tariff rate is necessary to prevent a flood of foreign rice. He predicted 3 million tons of foreign rice will be imported each year (30% of domestic consumption), and that Japanese rice farmers will be devastated by the competition. Dr. Hayami, Aoyama Gakuin University, compared similar qualities of Japanese and American rice and calculated a 400 percent tariff rate. Dr. Hayami believes 700,000 - 800,000 tons of rice would be imported annually and that Japanese farmers would be able to adjust to foreign competition and lower domestic rice prices by the year 2010. Hayami concluded his discussion by saying that accepting tariffication would put Japanese farmers in "purgatory," but failing to do so would condemn them to hell (bilateral negotiations).

EC Oilseeds Group Criticizes U.S. Soybean Quality

The EC Seed Crushers and Oil Processor's Federation (FEDIOL) Soybean Working Group recently renewed complaints about the quality of U.S. soybean exports. FEDIOL criticized the U.S. government and U.S. interest groups for putting more emphasis into restricting oilseeds production in the EC, through the Blair House Oilseed Agreement, rather than on improving the quality of U.S. soybean exports. FEDIOL also warned U.S. exporters that European crushers may increase imports from other sources if the quality of soybeans from the U.S. exported to the EC doesn't improve.

U.S. Poultry Exporters Report New EC Restrictions on Imports

U.S. poultry meat exporters are reporting problems due to new certificate requirements for shipments in and through the EC. An EC directive governing EC trade and imports of poultry meat went into effect on January 1, 1993. However, the EC has not yet promulgated implementing regulations. In the mean time, various Member States, including Germany, Italy and Greece, have begun changing their import regulations on poultry meat in anticipation of the EC directive. Although the EC has not implemented procedures for third country export certificates, Member States customs officials are reportedly requiring these certificates.

EC Re-Introduces Long Grain Rice Subsidy

The EC Commission has re-introduced, in its agricultural price proposals for 1993/94, the conversion aid for long grain rice. In December 1987, the EC implemented a 5-year subsidy program to encourage production of long grain rice away from short and medium grain rice. As a result of this program, EC production of long grain rice rose from zero to almost 244,000 tons in 1991/92. This directly competes with U.S. rice exports to the EC, our largest commercial rice market. The U.S. Government (USG) has strongly protested the reintroduction of the program. The USG had numerous assurances from the Commission that the subsidy would be eliminated after the 1991/92 crop year.

Russia Announces A Farm Support Decree

The Government of Russia recently announced a decree on emergency finance measures for the agrarian sector which calls for the retention of production subsidies for milk, meat, and eggs. The decree also forgives farm construction debt and continues subsidy payments for meat, milk and, egg products sold to the state. Direct subsidies to farms will be replaced during 1993 by indirect support in the form of guaranteed purchase prices. Although not contained in the budget statement, the decree will cost the state about 168 billion rubles to implement.

...Trade Policy Updates

Ukraine Expects To Slow Economic Reform

The Government of Ukraine is expected to reverse its recent efforts regarding food price liberalization and commitment to privatization of land. It is considering a resolution that would fix prices for milk, cooked sausage, some cereal products, salt, sugar, and vegetable oil. In addition, the resolution would allow for the rationing of certain foodstuffs, ban the resale of privatized land, raise minimum wages and pensions to keep pace with inflation, and exempt baby foods and farm products from a 20 percent value-added tax. The measure is a response to the public outcry generated by the recent steep decline in the standard of living.

EC Awards Grain Contracts To Russia and Armenia Under Credit Agreement

The Commission on January 27 awarded 12 contracts for the sale of 2,049 million tons of milling wheat and 47,000 tons of durum to Russia and Armenia. These sales are covered under the EC's 1.25 billion ECU (\$1.54 billion) Triangular Trade credit program. The Czech Republic and Bulgaria are to provide 229,000 tons, although both countries may have difficulty supplying product due to their export licensing regimes. As of January 20, the Commission has applied 22 percent of the credits to Eastern European suppliers, which is significantly below its 50 percent target. The shortfall in exports from Eastern Europe is principally due to the the limited stocks available for export in Eastern Europe and the large quantities of cereals supplied under the EC portion of the program.

Sweden Outlines EC Accession Priorities

The Swedish Government has indicated agriculture and regional policy is likely to be the most complicated issue in the Accession negotiations with the EC, which began February 1. Sweden hopes to maintain its fundamental support for "sub-arctic" agriculture. Among Sweden's other priorities are: The principle of public access to official Swedish documents, strict environmental policies; unique social welfare and labor market policies; free public access to land; equal opportunity for men and women; and continued Nordic cooperation. The Swedes will also seek a derogation from the EC to maintain their current free trade agreements with the Baltic states.

Venezuela Drops Countervailing Duty On U.S. Wheat

On Jan. 18, 1993, the Venezuelan Anti-Dumping Commission informed the Economic Cabinet of its findings that there were no grounds to impose a countervailing duty (CVD) on imported U.S. wheat. The Commission concluded that the 25 percent drop in Venezuelan grain production was caused not by U.S. EEP wheat imports but by low prices offered by the private industry; uncertainty regarding a new procedure for direct contracting between farmers and processors; and high interest rates for agricultural loans.

Israel Regresses In Free Market Reform

Israel may place a kosher requirement on meat imports and continues to block frozen french fry imports. A bill passed preliminary reading in the Israeli Parliament which will outlaw the importation of non-kosher meat to Israel. If passed into law, this action will effectively cancel the meat import liberalization plan in progress and adversely affect the prospects of developing a high quality U.S. beef export market. It is feared that this could be the first step in closing the market for all non-kosher food products, thereby significantly reducing the benefits expected to accrue in 1995 from the elimination of tariffs under the U.S.-Israel FTA Agreement. McDonalds attempts to import frozen french fries to supply its scheduled opening in December 1993 are blocked. The chain's request to import frozen french fries, until Israeli potato growers provide products that meet McDonald's rigid standards, has been denied. Imports of frozen french fries are being denied in order to protect domestic growers and producers.

...Trade Policy Updates

French Farmers Face Future Under CAP Reform

The different effects of CAP on various French farmers and farm groups has begun to become evident. Professional farmers are responding rapidly to the new economic realities, while the outlook for the large, but swiftly declining, number of small inefficient French farmers remains bleak. French farm trade journals and other sources report that farmers are quickly reducing variable costs. For example, fertilizer and new farm machinery sales are down 28% and 20% respectively. Also farm loans are reported down 20% from 1991. Mainstream farm organizations' reactions to CAP reform have begun to moderate. Even reports in the French media have begun to take a more "balanced" view. However, French politicians, aware of the upcoming March election, see no political mileage to be gained from supporting a reasonable farm policy.

Salinas Promises Direct Payments To Mexican Farmers

At a meeting of rural leaders, President Salinas promised that his government would develop a plan to provide support payments directly to Mexican producers, to help them compete with U.S. and Canadian farmers. He said the 1993 budget for rural development would increase 10 percent, after increasing 26 percent last year.

Legislation Introduced To Extend Duty Suspension For Cantaloupe

Senator Deconcini (D-Arizona) and Senator Gramm (R-Texas) introduced separate bills, S 272 and S 280, respectively, which would extend the temporary suspension of U.S. duties on fresh cantaloupes imported between January 1 and May 15. The 102nd Congress failed to extend the suspension into this calendar year.

EC Commission Eyes Association Agreement With Morocco

The EC Commission is in the process of finalizing a report which, if approved, would give them the mandate to negotiate an Association Agreement with Morocco. The Commission hopes to complete the report, which lacks only the agriculture section, by April, get Council approval shortly after that, and negotiate the agreement by the end of 1993. An EC-Morocco Association Agreement would go far beyond the trade concessions the Community currently grants to most African nations. Modeled on agreements which the EC recently signed with Eastern Europe, the Association Agreement with Morocco would create an EC-Morocco free trade zone, establish a political dialogue, and facilitate cooperation in areas of common interest, particularly of a financial nature.

FTA Durum Wheat Panel Decision

The final report of the U.S-Canadian Free Trade Agreement (FTA) Chapter 18 Dispute Settlement panel on durum wheat was released on Feb 8, 1993. Although the panel ruled against many of the U.S. positions on Canadian Wheat Board (CWB) payments and the WGTA transportation subsidy, it considered positively the U.S. request that Canada, on an annual basis, provide relevant sales and price data. Under the supervision of a bilateral Audit committee, the CWB data will be provided to a "major international accounting company with offices in Canada" which will audit the data to verify that Canada is not selling durum wheat to the United States below the CWB acquisition price. Meanwhile, the pace of Canadian wheat shipments to the United States has accelerated in recent months and appears headed for a new record. These shipments include spring, durum and significant quantities of feed quality wheat.

EC and Kyrgyzstan To Develop Relations

On February 12, EC Commissioner for External Political Relations Van den Broek agreed to the opening of exploratory talks, with the aim of opening formal negotiations during the second half of this year, for the conclusion of a partnership agreement between the EC and Kyrgyzstan. Seeking to replace the trade and cooperation agreement signed by the EC and the former USSR in 1989, the EC is pursuing separate bilateral agreements with all of the Newly Independent States and Georgia.

...Trade Policy Updates

Pressure Mounts On Dutch To Accept EC Banana Proposal

The Dutch Agriculture Minister reportedly returned to The Hague today to consult with his government on amendments to the proposed EC banana regime. The amendments were made following extensive discussion of the banana proposal during the Feb 9-10 EC Ag Council meeting. The Netherlands, along with Germany, Denmark, and Belgium, currently form a blocking minority to prevent adoption of the EC banana proposal. The U.S. Government (USG) will continue to press the Dutch Government to oppose adoption of the regime, which the USG views as inconsistent with GATT. If the Dutch do not agree to the amended proposal, the EC Ag Council will continue discussions on the issue on Friday evening.

EC Accepts Import Tenders For 149,000 Tons Of Corn Under U.S.-EC Enlargement Agreement

The Grain Management Committee on February 11 approved bids to import 149,000 tons of corn under the 1992 corn import requirements of the U.S.-EC Enlargement Agreement. This brings total bids awarded under the 1.2 million tons, reduced-levy tender to 199,000 tons. The Commission is expected to ask for an extension of the delivery period through July 30, which is five months beyond the delivery schedule stipulated in the Agreement. The Committee did not approve the opening of a tender under which the Spanish intervention agency would buy directly on the world market.

China GATT Working Party In Geneva To Follow Beijing and Taipei Bilaterals

The Working Party on China's accession to the GATT will meet in Geneva tentatively on March 11-12. The second choice of dates is March 15-16. The United States will meet with China on this subject on a bilateral basis in Beijing on March 1-2. Meanwhile, bilateral meetings on Taiwan's accession will be held on March 5 in Taipei. No dates have yet been set for a formal multilateral Working Party on Taiwan's accession due to the great number of outstanding questions Taiwan needs to answer on its trade regime.

Iceland Official Proposes Free Trade Agreement With U.S.

In an informal meeting with U.S. embassy officials, Iceland's Commerce and Industry Minister Jon Sigurdsson on February 11 pushed for informal discussions on a U.S.-Iceland Free Trade Agreement (FTA). Sigurdsson blamed the long-term decline in trade flows between the two countries on changes in exchange rates and Iceland's FTAs with its European neighbors. Noting that Iceland's membership in the European Economic Area put American firms at a disadvantage, Sigurdsson suggested Iceland would like to set up its own FTA with the United States or join NAFTA. He indicated he had already shared these thoughts with Canadian and Mexican officials and they had not immediately rejected the idea. The Commerce Minister also indicated that he intends to visit Washington around May 2 to begin consultations.

Norway Moves To Harmonize Pesticide Residue Tolerances With EC Levels

Norway notified the GATT last week of regulations the Norwegian Food Control Authority has drafted regarding maximum levels of pesticide residues (MRL's) in food-stuffs. Like the EC directives on MRL's which the Norwegian regulations mirror, the MRL's will be mandatory and apply to both domestic and imported fruits, vegetables, cereals, and products of animal origin. USDA and EPA are currently reviewing the EC's proposed MRL's and compiling industry comments to determine what kind of impact these regulations may have on U.S. trade. The Norwegian regulations are expected to come into force when ongoing European Economic Area (EEA) negotiations are concluded (probably by late 1993).

Market Updates

Mexico Attempts To Reverse Declining Cotton Production Trend

In an attempt to revive the domestic cotton industry, the Government of Mexico will pay cotton growers in the northwestern states of Baja California Norte and the Sonora states a bonus of 800 new pesos per planted hectare, once the cotton is ginned. Based on estimated yields, this would amount to a production payment of 16 cents per-pound of Mexican lint, an amount probably intended to approximate the difference between the U.S. target price and the world price for cotton. The objective is to encourage farmers to plant cotton instead of wheat. These targeted areas account for about 65 percent of Mexico's total cotton crop. Total harvested area nationwide totaled 45,000 hectares in 1992/93, down 82 percent from the previous year. With declining production in Mexico, the U.S. cotton industry benefited by increased cotton exports to Mexico. In FY 1992, Mexico received \$20.3 in GSM Export Credit Guarantees for the purchase of U.S. cotton. For MY 1992/93, U.S. cotton export commitments to date are 539,000 bales, more than double that of last year. For FY 1993, Mexico is eligible to receive \$40 million under GSM-102 to purchase cotton.

Turkey Announces Tobacco Export Subsidy Of \$.30/Kg

On Dec. 22, 1992, the Government of Turkey announced a tobacco export subsidy of \$.30/kg. This is about 70 percent less than leaf exporters had anticipated, and could result in a loss of over \$63 million in tobacco export earnings. Customers for Turkish tobacco, however, have refused to purchase tobacco that is priced higher than last year's fob price of \$6.50/kg. Customers for Turkish tobacco, which are also the cigarette manufacturers, stated that they will reduce the percentage of Turkish tobacco in their cigarettes from 12-13 percent to 9 percent. If the higher export prices continue, future purchases by U.S. leaf buyers may decline.

Lower EC Rapeseed Production and Oil Supplies Lead To Increased Demand For Soybean Oil

European Community vegetable oil consumption is shifting somewhat from rapeseed oil to soybean oil. Lower 1992 EC rapeseed production is cutting EC rapeseed oil exports. Rapeseed production in the EC was down in 1992/93 and as a result, rapeseed oil production is down sharply, and prices are strong, relative to soybean oil. In addition, export demand for rapeseed is up, and combined with other factors, benefited soybean oil and palm oil.

For 1993/94, EC rapeseed production is expected to fall to a 4-year low of between 5.3-5.7 million tons, according to trade sources. Preliminary fall seeding reports and acreage-based deficiency payment claims for French rapeseed sown last fall for new crop harvest support the reduced EC crop forecast.

Zimbabwe Tobacco Quality Lower

The South African drought cut Zimbabwe's tobacco quality in 1992, and provided a marketing opportunity for U.S. exporters. Zimbabwe is a major producer of flue-cured tobacco and a major competitor with the United States. Although total quantity produced was up, the chemical composition of Zimbabwe leaf generally was low in sugar and high in nicotine, reducing overall smoking quality. U.S. tobacco is known for its high quality and is used extensively in blending with poorer quality tobacco to improve the smoking quality of cigarettes. U.S. flue-cured is more in demand this year, in part as a consequence of Zimbabwe's misfortune. U.S. exports of flue-cured tobacco are up 33 percent for the first 11 months of 1992 compared with 1991.

Malaysia Explores Palm Oil Production And Marketing Prospects In Vietnam

Attache reporting from Kuala Lumpur indicates Malaysia's Palm Oil Research Institute has a team in Vietnam to identify palm cultivation sites and scout about for joint cultivation and processing ventures. Vietnam's current per capita consumption of vegetable oil, at a low 4 kilograms, makes it a big potential market for palm and other vegetable oils.

...Market Updates

Colombian Farmers Want Price Protection

In Colombia, cotton farmers are lobbying their government to establish a Price Stabilization Fund for cotton. The fund would provide cotton growers a base price equivalent to 75 cents per pound. If market prices rise above the base price, farmers would make payments into the fund. Initial proceeds for this fund would come from a 5-percent reduction in the 1991/92 export rebate paid to cotton exporters. However, approval of this fund will come too late to affect the 1992/93 harvest now under way. Meanwhile, Colombian textile producers still need to import cotton to meet domestic requirements in MY 1992/93. Cotton imports are not expected to be restricted by new Colombian policies. Colombia is expected to use \$20 million in GSM-102 credits for the purchase of cotton in FY 1993. As of Jan. 28, 1993 U.S. MY 1992/93 cotton commitments to Colombia stood at 50,000 bales.

Thai Delegation Visit To Focus On Allowing U.S. Citrus To Enter Thailand

A four-member delegation of plant health officials from Thailand's Department of Agriculture was in the United States from February 14-27 as part of that country's ongoing review of the USG request that it lift its phytosanitary-based import ban on U.S. citrus. FAS and APHIS are jointly coordinating the industry-sponsored visit, which includes stops in Hawaii, California, Florida, and Washington, DC. The objective of the visit is to demonstrate to the Thai officials that the United States can effectively address Thailand's phytosanitary concerns through existing pest and disease control and eradication programs. FAS, APHIS, and the U.S. Agricultural Attaché in Bangkok have been actively pursuing an elimination of the citrus import ban since mid-1990.

EC Extends Long Grain Rice Subsidy Program

The EC Commission recently proposed a 1-year extension for EC long grain rice production subsidies despite earlier assurances that the 1992 crop would be the last crop eligible for the subsidy. The EC implemented the long grain production subsidy for the 1988 crop as part of a 5-year program to encourage EC rice growers to switch from medium grain to long grain varieties.

Continuation of long grain production subsidies for the 1993 crop will reinforce the decline of U.S. brown and milled long grain rice exports to the EC. Exports of U.S. brown and milled long grain rice to the EC fell 46 percent from MY 1988/89 to MY 1991/92. The EC also continues to subsidize rice exports.

FAS Announces Major Exhibition in Mexico

The FAS Trade Show Office is now recruiting U.S. exporters to exhibit at the U.S. Food Festival '93 in Mexico City in August. With 170 booths, the show will be the largest exhibition of U.S. food and beverage products ever held outside the United States. FAS marketing specialists are being encouraged to recommend the show to exporters interested in the Mexican market. Best products for the show include dairy products, beef, poultry, eggs, deciduous fruits, frozen foods, breakfast cereals, ethnic foods, seafood, and alcoholic beverages. Participation fees are expected to cover 100 percent of the show's cost.

Continued EC Wheat Export Competition in 1993/94 Expected

The EC could have record exportable supplies of wheat in 1993/94. A record 1993 wheat crop is possible, given normal yields and planting reports that indicate only a 4 percent decline in EC winter wheat acreage, which accounts for some 95 percent of all EC wheat. This is far short of the 15-percent set-aside target under CAP reform.

Meanwhile, producers continue to sell wheat into intervention stocks at a record pace. So far this crop year 4.4 million tons have been sold into intervention compared to 3 million tons at this time last year. Continued movement of wheat into intervention will quickly offset export sales of 4.9 million tons from intervention stocks so far in 1992/93.

...Market Updates

Privatization Of Israeli Beef Imports Threatened

On Jan. 1, 1993, the Ministry of Industry and Trade (MIT) failed to relinquish control of Israeli beef imports, as set forth in a Cabinet privatization plan. The reasons for the privatization delay include: the pending reorganization of foreign meat inspection procedures and the perceived harm of low-cost beef imports to the domestic cattle industry. Moreover, trade sources report that the privatization scheme is in jeopardy because of the potential for non-kosher beef entering Israel. In the past, the MIT has procured only kosher beef. Currently, a bill is before the Knesset (the Israeli legislature), to outlaw the importation of non-kosher beef. If enacted, the bill would damage the prospects for greater U.S. beef exports to Israel. Although South America provides the majority of Israeli frozen beef imports, the United States exported 50,000 tons of beef to Israel in 1991.

Turkish Grain Board Opens Wheat Import Tender

Because Turkey's exportable supplies may be insufficient to satisfy sales commitments to Central Asia, the Turkish Grain Board (TMO) has set aside its decision to stay out of import markets and opened a tender to purchase wheat. The tender provides for consumption of the wheat in Turkey or for shipment to Central Asia; approximately 400,000 tons will be scheduled for March or April delivery. Specifications listed in the tender most closely match French or U.S. wheat. Under a \$400 million (Turkish lira equivalent) credit program for Central Asia announced last fall, Turkey has sold wheat to Azerbaijan (100,000 tons), Georgia (50,000 tons), Kyrgyzstan (50,000 tons), and Uzbekistan (100,000 tons). Operation of the credit program has been slow and few deliveries have been made.

EC Vegetable Oil Exports Dropping In 1992/93

EC policy changes, combined with the 1992 EC drought and smaller rapeseed crops in several other producing countries, have significantly reduced the EC exportable surplus of vegetable oil, particularly rapeseed oil. Trade sources forecast EC rapeseed oil exports to drop by as much as 400,000 tons in 1992/93 to a level of about 700,000 tons. As a result of two GATT Panel reports, the EC oilseed subsidy was reduced, but more importantly, farmers now get the subsidy directly rather than through processors. This has allowed EC rapeseed to be exported in response to short crops in Poland, China, and Canada, thereby lowering the quantity available to EC crushers and forcing EC crushers to turn to greater imports of soybeans.

Hungary Imports Wheat

The Hungarian Agriculture Minister to the National Assembly acknowledged that the government has authorized wheat imports, about 40,000 tons, to help address the tight supplies and consequent price increases. Domestic prices for wheat have more than doubled since autumn. According to the Minister, wheat stocks appear sufficient for almost 7 months and flour for 2 months. However, if prices do not come down, further imports could take place. The origin of the 40,000 tons sales is unknown, but the EC is the most likely supplier.

...Market Updates

Russian Far East Assessment Team Returned

The Russian Far East Assessment Mission, led by Agland, Inc. and Ward International, Inc. under the Emerging Democracies Program, conducted its assessment of the agribusiness climate in the region from January 18 to February 2. The team is composed of one FAS and five private sector representatives.

Argentine Burley Exports Surge

Argentina's burley exports are expected to reach a record 21,000 tons in 1993. This represents an increase of nearly 11 percent from 1992, and can be attributed to increased foreign demand for Argentine burley tobacco, which in turn reflects the success of programs in the province of Missiones to improve the quality of burley grown there. Nearly all of the burley tobacco exported from Argentina is grown in Missiones, which is also Argentina's leading producing province of burley tobacco. The United States is Argentina's top export market for burley tobacco, accounting for nearly 55 percent of trade in 1991.

U.S. Agricultural Exports by Commodity Type
Fiscal Year 1988–1992 and Year to Date Comparisons
(In thousands of dollars)

Product	Fiscal Years (Oct–Sept)				FY 1992	October–December FY 1993	% Change
	1988	1989	1990	1991			
BULK COMMODITY TOTAL							
Wheat	19,360,317	22,295,489	21,785,568	17,610,418	19,556,582	5,394,640	5,525,306 2.4
Coarse Grains	4,470,267	6,020,571	4,224,046	2,856,570	4,319,227	1,117,758	1,247,856 11.6
Rice	5,116,109	7,250,439	7,971,761	5,653,145	5,659,056	1,428,505	1,506,049 5.4
Soybeans	728,969	955,826	829,505	751,944	757,799	237,114	205,388 -13.4
Cotton	5,023,842	4,085,412	3,940,192	3,464,170	4,311,430	1,427,682	1,496,654 4.8
Tobacco	2,150,111	2,058,885	2,719,485	2,619,294	2,194,588	565,670	381,420 -32.6
Pulses	1,297,054	1,248,719	1,359,233	1,532,822	1,568,483	375,356	457,432 21.9
Peanuts	210,872	269,587	320,000	329,993	218,263	90,602	63,994 -29.4
Other Bulk Commodities	141,989	195,751	217,504	153,210	244,601	83,047	78,754 -5.2
INTERMEDIATE TOTAL	221,103	210,298	203,842	249,270	283,135	68,906	87,760 27.4
Wheat Flour	8,615,566	8,875,032	8,569,981	8,492,626	9,237,737 *	2,449,901	2,443,298 -0.3
Soybean Meal	1,469,822	1,330,787	995,682	977,939	1,285,881	373,755	329,267 -11.9
Soybean Oil	436,813	404,369	339,002	191,823	356,225	71,201	91,178 28.1
Other Vegetable Oils	450,987	415,722	393,571	411,505	490,555	102,439	114,616 11.9
Feeds & Fodders (Excl Pet Foods)	1,552,578	1,657,517	1,596,054	1,616,719	1,747,761 *	420,792	448,686 6.6
Live Animals	535,347	553,744	457,150	654,378	684,741 *	258,310	181,460 -29.8
Hides & Skins	1,834,438	1,697,009	1,772,828	1,438,733	1,316,667	294,860	304,247 3.2
Animal Fats	527,904	524,329	467,976	404,260	479,527	113,504	149,191 31.4
Planting Seeds	406,732	498,057	578,319	624,909	667,236 *	218,814	226,589 3.6
Sugars, Sweeteners, & Beverage Bases	286,078	366,951	519,433	621,328	599,375	180,169	154,715 -14.1
Other Intermediate Products	944,480	1,171,791	1,247,475	1,350,159	1,446,965 *	389,653	395,432 1.5
CONSUMER–ORIENTED TOTAL	7,360,473	8,352,422	9,766,813	11,431,178	13,521,311 *	3,463,734	3,838,417 10.8
Snack Foods (Excl. Nuts)	252,350	349,027	477,301	591,653	781,532 *	203,124	251,271 23.7
Breakfast Cereals & Pancake Mix	54,498	82,200	133,068	219,290 *	196,823	48,702	71,641 47.1
Red Meats, Fresh/Chilled/Frozen	1,693,604	2,219,902	2,296,413	2,593,685	3,018,770 *	711,032	804,623 13.2
Red Meats, Prepared/Preserved	101,230	112,355	127,761	154,438	176,904 *	48,428	53,086 9.6
Poultry Meat	424,463	508,186	630,704	737,690	914,962 *	259,692	273,194 5.2
Dairy Products	540,922	489,640	352,650	356,591	718,030 *	169,258	244,982 44.7
Eggs & Products	109,903	100,968	96,146	137,157	136,745	38,361	40,851 6.5
Fresh Fruit	1,065,708	1,112,545	1,363,196	1,522,803	1,737,141 *	436,277	382,480 -12.3
Fresh Vegetables	316,602	361,263	607,415	831,268	863,191 *	198,561	234,995 18.3
Processed Fruit & Vegetables	811,975	968,244	1,186,418	1,354,513	1,526,755 *	390,813	422,179 8.0
Fruit & Vegetable Juices	258,274	284,384	351,104	367,723	467,121 *	101,591	95,487 -6.0
Tree Nuts	779,721	693,607	744,938	821,566	944,828 *	357,901	341,603 -4.6
Wine and Beer	145,907	195,839	244,900	307,159	350,521 *	75,334	93,995 24.8
Nursery Products & Cut Flowers	80,005	99,554	173,354	194,507	200,981 *	45,386	45,726 0.7
Pet Foods	124,241	165,460	218,146	308,871	377,665 *	94,755	116,720 23.2
Other Consumer–Oriented Products	601,068	609,250	763,299	932,263	1,109,342 *	284,517	365,585 28.5
AGRICULTURAL TOTAL	35,336,356	39,522,943	40,122,362	37,534,222	42,315,630	11,308,275	11,807,021 4.4

Note: Fiscal Years (FY) are on an October–September split year basis. FY 1993 is actually October 1992 through September 1993.

Note: * Denotes Highest Export Levels Since at Least FY 1970

U.S. Agricultural Exports by Major Commodity Group
Monthly and Annual Performance Indicators

	December			October-December			Fiscal Year		
	1991 1992		-- Bil.\$ -- Change	1991/92 1992/93		-- Bil.\$ -- Change	1992 1993(f)		
	-- Bil.\$ --	Change		-- Bil.\$ --	Change		-- Bil.\$ --	Change	
Grains & feeds 1/	1.163	1.305	12%	3.620	3.911	8%	14.095	14.0	-1%
Wheat & Flour	0.369	0.406	10%	1.144	1.296	13%	4.482	4.8	7%
Rice	0.075	0.075	1%	0.237	0.205	-13%	0.758	0.7	-8%
Feed grains 2/	0.466	0.534	15%	1.429	1.506	5%	5.659	5.3	-6%
Corn	0.363	0.434	20%	1.176	1.285	9%	4.593	4.3	-6%
Feeds & fodders	0.155	0.178	14%	0.506	0.550	9%	2.077	2.1	1%
Oilseeds & products	0.850	0.664	-22%	2.247	2.281	2%	7.338	7.4	1%
Soybeans	0.572	0.438	-24%	1.428	1.497	5%	4.311	4.3	-0%
Soybean meal	0.137	0.099	-28%	0.384	0.344	-10%	1.334	1.1	-18%
Soybean oil	0.026	0.020	-23%	0.071	0.091	28%	0.356	0.4	12%
Other vegetable oils	0.034	0.040	18%	0.102	0.115	12%	0.491	NA	NA
Livestock products	0.494	0.485	-2%	1.499	1.571	5%	5.973	6.2	4%
Red meats	0.217	0.237	10%	0.684	0.789	15%	2.935	3.1	6%
Hides & Skins	0.100	0.095	-5%	0.295	0.304	3%	1.317	1.3	-1%
Poultry products	0.111	0.113	1%	0.334	0.352	5%	1.195	1.3	9%
Poultry meat	0.085	0.085	0%	0.252	0.262	4%	0.887	NA	NA
Dairy products	0.078	0.063	-19%	0.171	0.254	48%	0.733	0.6	-18%
Horticultural products	0.526	0.554	5%	1.787	1.846	3%	6.844	7.2	5%
Unmanufactured tobacco	0.156	0.155	0%	0.375	0.457	22%	1.568	1.6	2%
Cotton & linters	0.270	0.173	-36%	0.566	0.381	-33%	2.195	1.9	-13%
Planting seeds	0.103	0.100	-3%	0.219	0.227	4%	0.667	0.7	5%
Sugar & tropical products	0.145	0.164	13%	0.490	0.527	7%	1.706	1.7	-0%
Forest Products 4/	0.553	0.560	1%	1.636	1.731	6%	6.761	NA	NA
Total Ag. export value	3.897	3.776	-3%	11.308	11.807	4%	42.314	42.5	0%
	-- MMT -- Change			-- MMT -- Change			-- MMT -- Change		
Grains & feeds 1/	8.547	9.840	15%	27.201	28.980	7%	NA	NA	NA
Wheat	3.069	3.032	-1%	10.128	9.551	-6%	34.289	35.5	4%
Wheat flour	0.064	0.076	19%	0.130	0.238	82%	0.808	0.9	11%
Rice	0.227	0.239	5%	0.743	0.645	-13%	2.281	2.3	1%
Feed grains 2/	4.149	5.393	30%	12.814	15.056	17%	50.195	52.5	5%
Corn	3.214	4.377	36%	10.475	12.833	23%	40.597	42.5	5%
Feeds & fodders	0.860	0.908	5%	2.812	2.853	1%	11.711	11.9	2%
Oilseeds & products	3.529	2.751	-22%	9.002	9.595	7%	28.881	28.8	-0%
Soybeans	2.593	2.002	-23%	6.411	6.959	9%	19.247	19.8	3%
Soybean meal	0.634	0.482	-24%	1.733	1.669	-4%	6.301	5.5	-13%
Soybean oil	0.057	0.042	-27%	0.152	0.170	11%	0.747	0.8	7%
Other vegetable oils	0.050	0.072	43%	0.144	0.192	33%	0.782	NA	NA
Livestock products 3/	0.220	0.235	7%	0.653	0.767	17%	2.770	NA	NA
Red meats	0.069	0.073	6%	0.215	0.237	10%	0.870	1.0	15%
Poultry products 3/	0.082	0.081	-2%	0.229	0.259	13%	0.821	NA	NA
Poultry meat	0.079	0.077	-3%	0.219	0.247	13%	0.787	0.9	14%
Dairy products 3/	0.045	0.036	-20%	0.094	0.135	43%	0.399	NA	NA
Horticultural products 3/	0.447	0.470	5%	1.481	1.507	2%	5.951	6.5	9%
Unmanufactured tobacco	0.026	0.026	-3%	0.061	0.075	24%	0.246	0.2	0%
Cotton & linters	0.175	0.130	-26%	0.361	0.282	-22%	1.527	1.4	-8%
Planting seeds	0.062	0.071	14%	0.149	0.158	6%	0.705	NA	NA
Sugar & tropical products 3/	0.111	0.089	-20%	0.311	0.253	-19%	1.102	NA	NA
Total Ag. export volume 3/	13.24	13.73	4%	39.54	42.01	6%	143.64	148.0	3%

1/ Includes pulses, corn gluten feed, and meal.

2/ Includes corn, oats, barley, rye, and sorghum.

3/ Includes only those items measured in metric tons.

4/ Wood products are not included in agricultural product value totals.

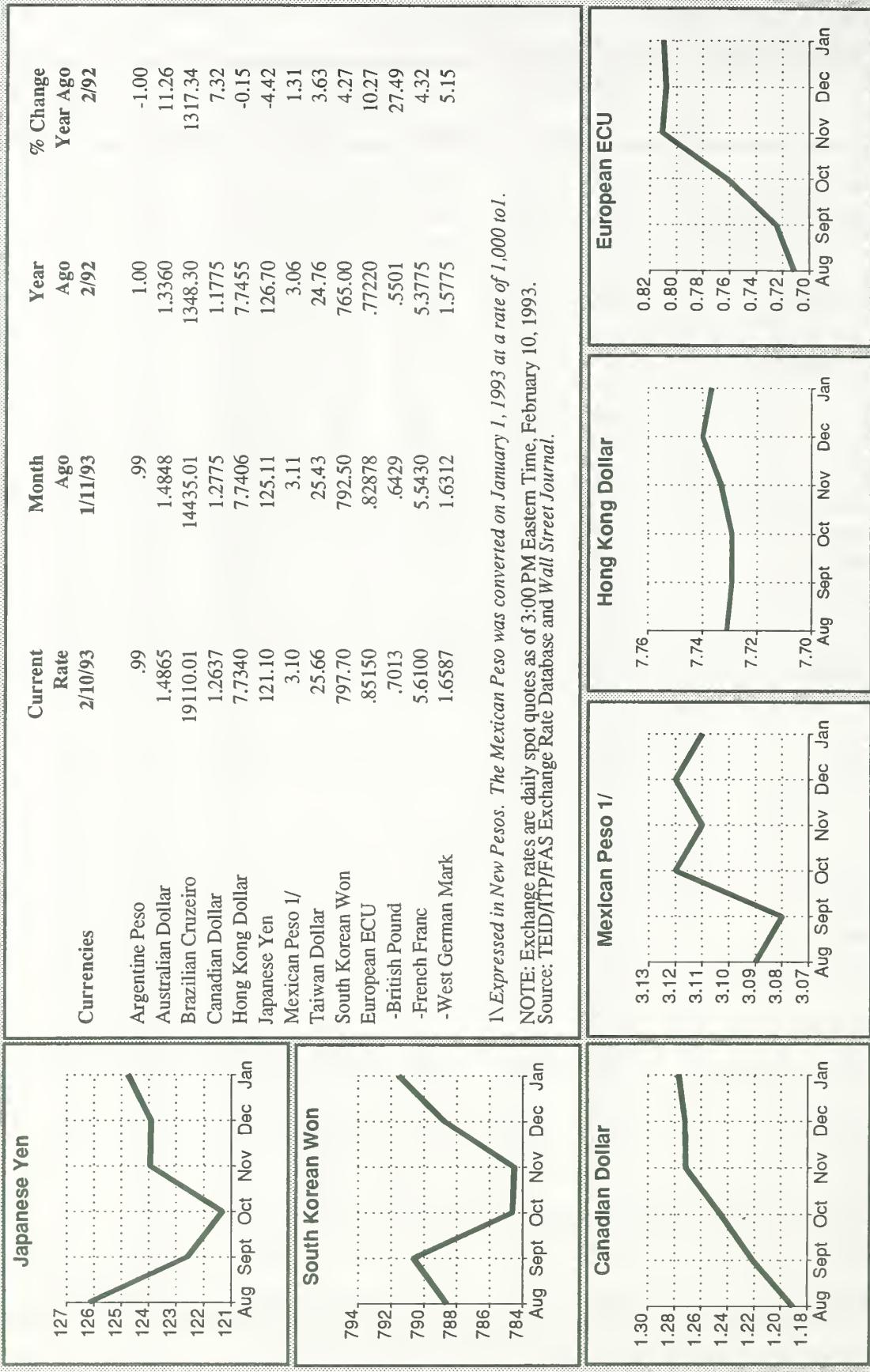
Note -- 1993 forecasts are taken from "Outlook for U.S. Agricultural Exports," Feb. 25, 1993.

U.S. Agricultural Export Value by Region

Monthly and Annual Performance Indicators

	December			October - December			Fiscal Year		
	1991		1992	1991/92		1992/93	1992		1993(f)
	-- Bil.\$ --		Change	-- Bil.\$ --		Change	-- Bil.\$ --		Change
Western Europe	0.889	0.752	-15%	2.449	2.467	1%	7.726	8.2	6%
European Community	0.832	0.719	-14%	2.285	2.336	2%	7.183	7.7	7%
Other Western Europe	0.057	0.033	-43%	0.163	0.131	-20%	0.543	0.5	-8%
Eastern Europe	0.027	0.026	-4%	0.046	0.140	208%	0.221	0.3	36%
Former Soviet Union	0.279	0.131	-53%	0.873	0.475	-46%	2.640	1.9	-28%
Asia	1.448	1.404	-3%	4.106	4.234	3%	15.989	15.6	-2%
Japan	0.679	0.713	5%	2.053	2.107	3%	8.364	8.1	-3%
China	0.062	0.027	-56%	0.182	0.036	-80%	0.690	0.4	-42%
Other East Asia	0.515	0.425	-18%	1.358	1.410	4%	4.929	5.0	1%
Taiwan	0.238	0.167	-30%	0.584	0.569	-3%	1.913	1.9	-1%
South Korea	0.209	0.190	-9%	0.556	0.578	4%	2.200	2.3	5%
Hong Kong	0.068	0.069	1%	0.217	0.262	21%	0.816	0.9	10%
Other Asia	0.192	0.240	25%	0.513	0.680	33%	2.005	2.1	5%
Pakistan	0.035	0.032	-9%	0.067	0.109	63%	0.226	0.2	-12%
Philippines	0.033	0.061	83%	0.102	0.176	74%	0.442	0.4	-10%
Middle East	0.143	0.152	7%	0.454	0.460	1%	1.717	2.0	16%
Israel	0.042	0.038	-9%	0.089	0.110	24%	0.342	0.3	-12%
Saudi Arabia	0.048	0.048	-1%	0.176	0.130	-26%	0.506	0.5	-1%
Africa	0.150	0.233	56%	0.476	0.757	59%	2.201	2.5	14%
North Africa	0.115	0.123	7%	0.334	0.397	19%	1.312	1.5	14%
Egypt	0.068	0.073	8%	0.176	0.219	25%	0.709	0.6	-15%
Algeria	0.032	0.031	-1%	0.110	0.096	-12%	0.382	0.5	31%
Sub Saharan Africa	0.035	0.110	217%	0.142	0.360	154%	0.889	0.9	1%
Latin America	0.552	0.573	4%	1.505	1.726	15%	6.384	6.7	5%
Mexico	0.295	0.318	8%	0.726	0.839	16%	3.653	4.1	12%
Other Latin America	0.257	0.255	-1%	0.779	0.887	14%	2.731	2.6	-5%
Brazil	0.019	0.024	22%	0.092	0.097	5%	0.143	0.1	-30%
Venezuela	0.027	0.033	24%	0.086	0.132	53%	0.393	0.3	-24%
Canada	0.357	0.422	18%	1.166	1.256	8%	4.804	4.7	-2%
Oceania	0.044	0.045	2%	0.152	0.121	-20%	0.424	0.4	-6%
World Total	3.897	3.776	-3%	11.308	11.807	4%	42.314	42.5	0%

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